

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

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In Re:
PG&E CORPORATION AND PACIFIC
GAS AND ELECTRIC COMPANY
Debtors.

) Case No. 19-30088
) Chapter 11
)
) San Francisco, California
) Monday, October 7, 2019
) 10:00 AM

JOINT MOTION OF THE OFFICIAL
COMMITTEE OF TORT CLAIMANTS
AND AD HOC COMMITTEE OF
SENIOR UNSECURED NOTEHOLDERS
TO TERMINATE THE DEBTORS'
EXCLUSIVE PERIODS PURSUANT TO
SECTION 1121(D) (1) OF THE
BANKRUPTCY CODE [3940]

MOTION TO APPROVE FEE
PROCEDURES FILED BY BRUCE
MARKELL [3950]

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

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PG&E Corp., Pacific Gas and Electric Co.

SAN FRANCISCO, CALIFORNIA, MONDAY, OCTOBER 7, 2019, 10:01 AM

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3 (Call to order of the Court.)

4 THE BAILIFF: All rise. The court is now in session.

5 The Honorable Dennis Montali presiding.

6 THE COURT: Good morning, everyone.

7 IN UNISON: Good morning.

8 THE BAILIFF: Matter of PG&E Corporation.

9 THE COURT: This crowd for the fee hearing? Oh. All
10 right. Are we ready to go?

11 UNIDENTIFIED SPEAKER: Yes, sir.

12 THE COURT: All right. Let's start with the fee
13 procedure motion.

14 Mr. Karotkin, did you want to do something ahead of
15 time? You want to take something out of order?

16 MR. KAROTKIN: No, fee motion's first.

17 UNIDENTIFIED SPEAKER: Oh, no. I thought it was -- I
18 thought something was before that. I'm sorry.

19 THE COURT: There's room in the overflow court room
20 for those of you standing. You can stand there if you want,
21 but there are seats over there next door around the corner.

22 Mr. McNutt, did you think you're up first?

23 MR. MCNUTT: I thought that was it, yes.

24 THE COURT: Okay. Let's go.

25 MR. MCNUTT: Scott McNutt --

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1 THE COURT: Go ahead and make your appearance.

2 MR. MCNUTT: -- representing Prof. Bruce Markell, the
3 fee examiner in this matter.

4 THE COURT: So is he here today, by any chance?

5 MR. MCNUTT: He is appearing by phone today.

6 THE COURT: Okay. Are we ever --

7 MR. MCNUTT: And I --

8 THE COURT: We ever going to see him here?

9 MR. MCNUTT: You will see him here. I thought, given
10 the crush today, that it'd be -- that he shouldn't fly out from
11 Chicago for this --

12 THE COURT: Okay. Well, go head. You have time on
13 the --

14 MR. MCNUTT: And blessedly --

15 THE COURT: -- dock time, so you've got the time. Do
16 you want to reserve time, or do you want to --

17 MR. MCNUTT: Blessedly, I'm here to hand it off to
18 Prof. Markell.

19 THE COURT: Okay.

20 MR. MCNUTT: Who I hope we hear shortly.

21 THE COURT: Prof. Markell, are you --

22 MR. MARKELL: Yeah?

23 THE COURT: -- on the phone?

24 MR. MARKELL: Yes, I am, Your Honor. Thank you very
25 much --

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1 THE COURT: Okay.

2 MR. MARKELL: -- and good morning.

3 THE COURT: Good morning.

4 MR. MARKELL: Okay. Once again --

5 THE COURT: Okay. Wait, have --

6 MR. MARKELL: -- Bruce Markell --

7 THE COURT: You saw my order about time allocation,
8 right?

9 MR. MARKELL: Yes, I did. For our twenty minutes,
10 I'll probably speak for about two to three minutes.

11 THE COURT: Okay.

12 MR. MARKELL: I yield to the U.S.D. in turn for no
13 more than eight, and any remaining time I'll reserve for
14 rebuttal.

15 THE COURT: Okay. Thank you. Go ahead, then. I'm
16 ready and would like to hear from you.

17 MR. MARKELL: Wait. I have read the tentative. I
18 have no point of disagreement, obviously --

19 THE COURT: Do you want to stay?

20 MR. MARKELL: I'm pleased to report that it will help
21 me finalize at least five settlements I've already reached
22 through various professional, with the respect to the first
23 interim fee application. These settlements involve reductions
24 of over eight-hundred thousand dollars in claim fees and
25 expenses, exclusive and separate from any additional reductions

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1 to claim nonworking travel. And each of these settlements the
2 professionals and I have reserved as a right to increase the
3 reductions by amounts required by today's ruling, so the
4 800,000 dollar figure will increase and increase significantly.

5 I agree with -- as I said before, agree with all
6 matters with respect to the tentative, although I will note the
7 tentative did not directly address the estoppel issue with
8 respect to duplication of effort, and we have nothing --

9 THE COURT: No. Well, I want --

10 MR. MARKELL: -- to add to our motion at this point --

11 THE COURT: Professor, I want to explain this to you,
12 and also everyone else. For reasons that I won't go into,
13 suddenly my time allocations go squished for today, and so I
14 didn't take -- I wasn't able to take the time that I wanted to
15 to address some other issues. And that's why in my docket text
16 I just picked what I thought were the big ticket items.
17 Perhaps, after you make your opening comments, I can hear
18 from -- well, hear with U.S. Trustee and certainly hear what
19 the other side says about the main issues, and I'll at least
20 identify the other points that you have.

21 So you're not excluded from talking about them. It's
22 just that this is what I had to do. I might have set aside a
23 lot more time, if we weren't pressed for time on other matters.

24 MR. MARKELL: I appreciate it, Your Honor.

25 I just want to say with respect to the reasonable

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1 effort that that in one sense goes hand in hand with the
2 scheduling notion that we had in terms of the ability to kind
3 of compare across professional efforts during the same time
4 that they're energies with respect to the case.

5 Okay. Again, finally both the United Stated Trustee
6 and varying professionals have requested additional rulings, as
7 you know, and additional points to the protocol. Because the
8 Court didn't permit us to permit a reply today, I did not
9 answer those. I'm certainly willing to speak in rebuttal on
10 those to the extent that you wish, but many of the issues that
11 have been raised by the U.S.D. and the professionals have been
12 the subject of negotiations with all professionals. But since
13 I conduct those under Federal Rule of Evidence 408, I'm
14 precluded at this point from going into any details.

15 THE COURT: No, that's fine.

16 MR. MARKELL: If it's --

17 THE COURT: That's fine.

18 MR. MARKELL: Yeah.

19 THE COURT: What about have you had any follow-up with
20 I guess Mr. Zumbro -- he seems to have taken the lead -- about
21 the protocol, and is there hope that maybe there could be an
22 agreement on the remaining issues on the protocol?

23 MR. MARKELL: To be realistic, no. I think we can
24 come to some understanding on some of the points, but some of
25 the points -- for example, I wanted to know if anybody from a

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1 professional was certified, which is, as you know, a Provision
2 Section 330. They crossed that out. And when you get to that
3 level of nonunderstanding of what I'm asking for, it becomes
4 very difficult to come to a conclusion. So I do not --

5 One of the reasons we had proceeded in the way in
6 which proceeded is that, based on some calls -- or at least one
7 call that we had and responses I have gotten, I did not think
8 that the time that would be necessary to come to closure on all
9 points would be done in time for us to kind of engage in the
10 negotiations with the fees that were ongoing. If the Court
11 wishes us to try that, obviously we will do that. But at this
12 point, most of the points and the issues I think are understood
13 by the parties, and as I have tried to say the provisions in
14 the protocol are, for the most part, not -- I mean, they're
15 opening negotiating positions, if you will. They're positions
16 that I have and what I believe, and in short you would believe,
17 are reasonable compensations for Section 330. But as indicated
18 by the five settlements, I'm willing to listen to what people
19 have to say.

20 Based on that, unless you have any other questions, I
21 will yield to the United States Trustee.

22 THE COURT: Well, I'll just make a comment, and again,
23 further to my own personal discomfort with the way the timing
24 had to be allowed today, and I know there are capable lawyers
25 in this case on all issues that love to file further briefs. I

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1 can only absorb so much, and that's why I didn't want any
2 further briefs. My thinking is, however, after I listen to all
3 the counsel this morning is to take the matter under advisement
4 rather than make a ruling and ask for a few days maybe for you
5 either to respond in writing to what the other side said, or
6 make one more pass at seeing if you can reach an accommodation
7 with the professionals who are there. Again, we're going to --
8 Mr. Zumbro will call on the liaison. I don't care if you deal
9 with other counsel, but my point is that I was going to give
10 you a period of time to do that, and then take the matter under
11 advisement.

12 Let me hear close on that issue at the end of the
13 hearing, and I'll wait and see what the professionals want to
14 say about that.

15 So maybe I'll turn to the U.S. Trustee then at this
16 point.

17 MR. MARKELL: Okay. Thank you, Your Honor.

18 THE COURT: Okay. Mr. Laffredi?

19 MR. LAFFREDI: Thank you, Your Honor. Tim Laffredi
20 for the U.S. Trustee.

21 We only have about five minutes. We leave the other
22 remaining three minutes for TURN, but we wanted to first
23 express our support for the Court's tentative ruling. Second,
24 we wanted to really go into the four recommendations that made
25 in the response to the fee examiner's motion. As the Court

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1 saw --

2 THE COURT: But some of your responses are very
3 thorough. It's very specific. It's not a general protocol
4 type stuff, and so I presume your view as to particular lawyers
5 or particular time entries that would be picked up later in the
6 subsequent time, right?

7 MR. LAFFREDI: Exactly. And we would --

8 THE COURT: Okay.

9 MR. LAFFREDI: -- address each specific issue with
10 that particular law firm or --

11 THE COURT: Right.

12 MR. LAFFREDI: -- firm.

13 The four recommendations really were first. After the
14 U.S. Trustee did its own review of the fee applications, we
15 noted, as the Court saw, several issues that did kind of span
16 the spectrum of all the fee applications. And so the four
17 recommendations really were designed to make it easier and more
18 transparent and more predictable for the fee examining process.

19 The first recommendation was that, with regard to
20 hearing, meeting overstaffing, and overly high billable hours
21 for particular timekeepers, we would recommend that -- for
22 example, if more than four professionals were attending any
23 particular hearing or conference, or if any particular
24 timekeeper was billing more than twelve billable hours per day,
25 the firm should be required to provide justification and to

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1 specifically identify those instances, so that's it not really
2 a needle in the haystack --

3 THE COURT: Well, that's consistent with our --

4 MR. LAFFREDI: Exactly.

5 THE COURT: -- long-standing guidelines, isn't it?

6 MR. LAFFREDI: Exactly, yes. Guidelines 15 and 16,
7 which it doesn't look like any of the professionals adhere to,
8 already require this.

9 Second, the recommendation with regard to overtime
10 meals, overtime transportation, travel lunches, working meals,
11 those are also already addressed in the local guidelines.
12 Guidelines 22, 38, 39 would disallow those expenses, and so
13 really we would just ask that the order incorporate those
14 guidelines.

15 The third recommendation is with regard to attorneys
16 who have not been admitted to the bar but are charging full
17 attorney rates. We would recommend that those preadmitted
18 attorneys charge rates that would be the average for a
19 nonattorney professionals at their firm.

20 THE COURT: And I can tell the professionals that, as
21 far as I'm concerned, that's a nonstarter at this point.
22 You're either admitted, or you aren't. And it's a slippery
23 slope, and I don't mean to single out any particular law firm
24 or any particular bar graduate who hasn't been admitted. It
25 just is a guideline that has to be the rule in my opinion.

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1 So --

2 MR. LAFFREDI: Thank you, Your Honor.

3 THE COURT: -- if they really want to hang on that and
4 make any further argument, I'll listen, but that to me is not
5 even worth debating.

6 MR. LAFFREDI: Thank you, Your Honor.

7 And finally, the recommendation with regard to blended
8 rates, if the blended rates for this particular case deviate
9 from blended rates of nonbankruptcy cases more than ten
10 percent, we would just ask that the firms be required to
11 provide an explanation and justification for that deviance, so
12 that the fee examiner and the --

13 THE COURT: Well, don't refresh my memory of our own
14 guidelines and the national rules. Normally, a lawyer on an
15 application -- on a fee application is supposed to disclose
16 that the rates charged are not higher than other normal rates,
17 and that would I think include standard discounted rates. No,
18 or not? Maybe it doesn't say --

19 MR. LAFFREDI: Well, Section 330 actually explicitly
20 includes the comparison to nonbankruptcy rate, so yes, there
21 must be a discussion about --

22 THE COURT: Well, that if a law firm that has a varied
23 practice, as many of the firms do here, if they have
24 arrangements with certain significant clients and have a
25 discount against whatever --

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1 MR. LAFFREDI: Right.

2 THE COURT: -- the going rate is, I believe our rules
3 require some disclosure of that.

4 MR. LAFFREDI: I believe that as well.

5 THE COURT: Isn't that right? So what's your view on
6 that?

7 MR. LAFFREDI: Our recommendation is that of course
8 that would be included, but we're sort of setting a ten
9 percent -- that ten percent number, we're not wedded to that
10 particular number. But based on the charged that we included
11 and based on our review of the fee applications, a lot of them
12 are way over that. And so when there is that deviance from
13 what nonbankruptcy charges or fees would be, we would just ask
14 that that be justified.

15 THE COURT: So this is something that maybe Prof.
16 Markell should answer, but I want your view also. I'm a little
17 confused about where things stand in the protocol about time
18 correcting erroneous entries. To me, if there's an erroneous
19 entry, it should be corrected at no charge. What, in your
20 view, can -- are you suggesting that if the lawyer or the firm
21 writes off an erroneous entry they can still charge the
22 corrected entry?

23 MR. LAFFREDI: I would defer to Prof. Markell on this,
24 but I would think they should not be able to charge for
25 correcting the originally erroneous entry.

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1 THE COURT: Well, but if they made a correct entry to
2 begin with presumably, it would be billable.

3 MR. LAFFREDI: Right.

4 THE COURT: So I guess -- I mean, I'm not trying to
5 punish them. I think the lawyers are well served by persuading
6 the judge how generous they are by voluntary write-offs.

7 MR. LAFFREDI: Right.

8 THE COURT: And I always think it's a good practice to
9 hand a judge a fee app that shows some write-offs.

10 MR. LAFFREDI: Right. Exactly.

11 THE COURT: Because it --

12 MR. LAFFREDI: No charge, right.

13 THE COURT: Well, it makes the judge think that he or
14 she isn't the first one reviewing --

15 MR. LAFFREDI: Exactly.

16 THE COURT: -- the entries.

17 MR. LAFFREDI: Right. And that's another point, Your
18 Honor. We also wanted to reiterate to the Court, that the U.S.
19 Trustee has its independent duty to do the review of the fee
20 application, so we would be coordinating with the fee examiner
21 Prof. Markell and making sure that we're not duplicating any
22 efforts, but we do take our 330 review and 331 review very
23 seriously.

24 THE COURT: Okay.

25 MR. LAFFREDI: So with that, Your Honor, we would

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1 request that the Court enter an order on the fee examiner's
2 motion consistent with the tentative ruling --

3 THE COURT: Would you --

4 MR. LAFFREDI: -- and include these additional --

5 THE COURT: Would you want any further time to respond
6 at all to what was submitted, because --

7 MR. LAFFREDI: I think we would concede to the fee
8 examiner, with regard to any of the rebuttal.

9 THE COURT: No, I don't mean on rebuttal. I mean --

10 MR. LAFFREDI: Oh.

11 THE COURT: -- because I didn't allow further
12 filings --

13 MR. LAFFREDI: Oh.

14 THE COURT: -- and you were given a very comprehensive
15 response, as was the examiner, do you want a further time to
16 file anything more on the point, more in the nature of a reply?

17 MR. LAFFREDI: The professionals didn't really address
18 the specific concerns that we raised, and they said that
19 several times. So I'm not sure if the Court is intending to
20 give them additional opportunity --

21 THE COURT: No.

22 MR. LAFFREDI: Okay.

23 THE COURT: No, I wasn't. I mean, no, I wasn't
24 intending to do that, but we'd have never-ending briefs and
25 briefs and briefs --

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1 MR. LAFFREDI: Right.

2 THE COURT: -- of replies.

3 MR. LAFFREDI: I don't think, then, we need any
4 further --

5 THE COURT: Okay.

6 MR. LAFFREDI: -- briefing on that, Your Honor. Thank
7 you.

8 THE COURT: All right. Well, so Prof. Markell, you
9 said that --

10 Oh, wait. You said that or one of you said that TURN
11 wants to be heard.

12 Mr. Harris, are you there? You want to be heard?

13 MR. HARRIS: Briefly, Your Honor. I'll cede the
14 balance of my time to Prof. Markell as well.

15 Your Honor --

16 THE COURT: It's like we're in Congress here with
17 people ceding their time. What a thought.

18 MR. HARRIS: Your Honor, Robert Harris with Binder &
19 Malter appearing for TURN.

20 PG&E, one, resulted in costs of over fifteen-hundred
21 dollars per rate payer, to the rate payers of this state, and
22 this case promises to do something potentially similar, subject
23 of course to the rate requirement of neutrality on average.

24 These are --

25 THE COURT: But that's the CPUC? I mean, the cost of

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1 the Chapter 11 isn't going to be eaten by the equity, is it?
2 Isn't that a legitimate expense that the CPUC will take into
3 account?

4 MR. HARRIS: Well, yes, Your Honor. But again, given
5 that these fees are added on to end of the bankruptcy rates,
6 will we predict increase? And to the extent that costs are a
7 part of it, we have a duty to require and request that this
8 Court ensure reasonableness.

9 We support what the fee examiner is doing. We support
10 Your Honor's tentative ruling. I just want to say that this
11 room is filled with wonderful professionals. But they came to
12 this district knowing what the rules are, and they didn't ask
13 for employment conditional upon getting an --

14 THE COURT: But they had --

15 MR. HARRIS: -- exemption from those rules.

16 THE COURT: But no one, to my knowledge, has
17 questioned the rates -- the rates generally. I mean, we can
18 talk about can you bill while you're on the airplane, and
19 that's a -- I mean, by itself, that's perhaps a seven-figure
20 number. But in the grand order of things, it's a very small
21 percentage of the total cost, right?

22 MR. HARRIS: Yeah.

23 THE COURT: So if the total billed rates are an
24 enormous amount, which they will be, that's something that -- I
25 can't control that.

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1 MR. HARRIS: I was referring to professional fee
2 totals and rates, in terms of what --

3 THE COURT: Right.

4 MR. HARRIS: -- rates will pay in the future, Your
5 Honor.

6 THE COURT: Okay. But --

7 MR. HARRIS: So --

8 THE COURT: -- my point is if I simply tell the
9 attorneys that all of your suggestions are horrible, I'm
10 throwing them all out, and I adopt everything that the U.S.
11 Trustee and Prof. Markell and TURN advocated, it's still a very
12 relatively small percentage of the total professional costs of
13 this bankruptcy, right?

14 MR. HARRIS: That is absolutely true, Your Honor, but
15 whatever we can do to limit that cost is what TURN supports.

16 THE COURT: Okay.

17 MR. HARRIS: That's all I have, Your Honor. Thank
18 you.

19 THE COURT: Okay. Thank you.

20 All right. I'll assume that the examiner is going to
21 reserve about ten minutes.

22 And Mr. Zumbro, are you going to be the --

23 MR. MARKELL: Thank you.

24 THE COURT: You're here to take the heat here? Right?

25 Good morning.

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1 MR. ZUMBRO: Good morning, Your Honor. Paul Zumbro
2 from Cravath, Swaine & Moore.

3 THE COURT: I have one very preliminary question. I
4 should know the answer to this, but am I correct that, whether
5 it's your firm or the Weil firm or any other firm, all the
6 professional time being spent either in Tubbs Fire litigation
7 or in Judge Donato's court or in this court or in the FERC
8 litigation or in the CPUC, OAI, it's all being billed through
9 the bankruptcy court, right?

10 MR. ZUMBRO: That's correct, sir. That was one of the
11 points I wanted to raise. I mean, the professionals obviously
12 are sensitive to the fact that they are significant fees being
13 generated in these cases. I think it's important not only for
14 the Court to understand that but for the public to understand
15 that there are a lot of things going on in this case. It's not
16 only the bankruptcy matters before Your Honor. There's the
17 criminal investigations --

18 THE COURT: I counted the number of judges who were
19 involved last week.

20 MR. ZUMBRO: Correct. It's three, Judge --

21 THE COURT: And I've got four --

22 MR. ZUMBRO: Three or four judges.

23 THE COURT: -- three in this building.

24 MR. ZUMBRO: That's correct.

25 THE COURT: Okay.

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1 MR. ZUMBRO: So the criminal investigations, the Tubbs
2 fire that's set for trial at the State court --

3 THE COURT: Right.

4 MR. ZUMBRO: -- the ongoing worker relate to the
5 matters before Judge Alsup, the regulatory investigations with
6 the CPUC, and of course the wildfire claims estimation
7 proceedings --

8 THE COURT: Right.

9 MR. ZUMBRO: -- before Judge Donato.

10 THE COURT: But it's all being billed through the 330
11 and the procedures that we're talking about, right?

12 MR. ZUMBRO: That is correct.

13 THE COURT: Okay. No, but I mean if there may be
14 special counsel billing for other things that are on a
15 contingency or on some other arrangement, but you've confirmed
16 it. That's what I thought, but I wanted to make sure.

17 MR. ZUMBRO: Yeah, no, we appreciate you clarifying
18 that. That was one of the points that I wanted to make sure
19 that you and the public were aware of.

20 I will say, before procedurally, I'll do the argument
21 today, but Ms. Green on behalf of the TCC and Mr. Bray on
22 behalf of the UCC have each requested five minutes.

23 THE COURT: Sure.

24 MR. ZUMBRO: I don't expect to take my full ten
25 minutes, but I just wanted the Court to be aware of that.

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1 We do, of course, understand the Court's tentative
2 rulings, and I won't have too much to say about those, other
3 than on two points which I would like to raise with the Court.
4 The two-hour rule and time spent on preparing fee applications,
5 which the second of those I don't believe Your Honor addressed
6 in the tentative rulings and for which we are going to just
7 request that the Court follow the applicable Northern District
8 of California guidance.

9 THE COURT: Well, I pointed out simply the distinction
10 that seems to have been blurred between retention applications
11 and fee applications.

12 MR. ZUMBRO: Correct.

13 THE COURT: In the latter, the case law and
14 (indiscernible) and the Dincirca cases that are very favorable
15 to professionals are all on fee applications, right?

16 MR. ZUMBRO: Correct.

17 THE COURT: So what are you referring to beyond that?

18 MR. ZUMBRO: Well, all I'm referring to is I think the
19 fee examiner had proposed a forty-hour cap for retention
20 applications, and then there was some confusion where there was
21 some reference to conflict strikes. We understand the
22 conflicts generally aren't compensable. We understand that,
23 and we also understand the fee applications and retention
24 applications are different --

25 THE COURT: Right.

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1 MR. ZUMBRO: -- and that there's an ongoing
2 requirement for 2014 disclosures. We understand all that.

3 Fundamentally what we're proposing, rather than the
4 twenty-hour a month limit on fee apps and the forty-hour limit
5 on the retention apps, what we're proposing, Your Honor, is so
6 that we follow the Northern District of California guideline on
7 this point, which is Guideline Number 6 which has a cap of five
8 percent.

9 THE COURT: The five percent cap.

10 MR. ZUMBRO: Yes, sir. And we understand that that's
11 not a presumptive rate --

12 THE COURT: No, well, I -- silly me to say it in this
13 case, but it's a very punitive percentage in very small cases.

14 MR. ZUMBRO: I understand, and some of the counsel who
15 are billing various small amounts in the case have requested
16 that they have the option of filing either the twenty-hour rule
17 or the five-percent rule. We thinks that's a -- the five-
18 percent rule, we're nowhere near that. Speaking for ourselves,
19 we're much closer to one percent than five percent.

20 THE COURT: Well, that proves my point in the bigger
21 case.

22 MR. ZUMBRO: In a big case. But we do think it's
23 appropriate, Your Honor -- 330 is it (a) (6) of the code
24 specifically contemplates that fee apps are compensable and
25 it's supposed to be tied --

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1 THE COURT: Well, this is why I need to pin you down
2 and get retention applications, not fee applications. So your
3 firm, prominent firm, national reputation; tomorrow you go back
4 to your office and suddenly somebody calls to your attention,
5 hey, we've taken on a new client. That doesn't disqualify us,
6 but we have to make a disclosure. So you amend your 2014(b)
7 statement, or whatever the number is. I get my numbers mixed
8 up. Yeah, 2014(a), do you get to bill for that? I mean --

9 MR. ZUMBRO: I don't really talk about --

10 THE COURT: -- I think I know the answer.

11 MR. ZUMBRO: We were really focused, and I think the
12 Milbank Firm on (indiscernible) DCC was really focused on the
13 initial retention application, and there was I think are 215-
14 page conflicts with us and ten-thousand people.

15 All I'm proposing, no, going forward I don't think
16 that has to be billable. All I'm saying is that for the
17 initial retention application, which hopefully will be behind
18 us soon, the cap should be five percent coupled with the amount
19 of fee applications and interim fee applications in the same
20 period. That's all we're proposing, one cap.

21 I don't think the Northern District Guideline -- it
22 only really relates to fee applications, monthly and --

23 THE COURT: Well, no, that's true, and again I've been
24 around long enough. I was here when not actually when those
25 compensation guidelines were first created, but nobody -- we

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1 didn't focus on all the 2014 type stuff that the case law's
2 come out with. And again, I'm sure you and all the bankruptcy
3 professionals know the bad news, if you don't comply and you
4 get your fees cut in half or reduced by an appellate court.

5 MR. ZUMBRO: And let me understand --

6 THE COURT: But I don't think it was on the table when
7 we discussed those.

8 MR. ZUMBRO: I understand, and I'm fine to stipulate
9 that we're not going to continue to bill the estate for ongoing
10 conflicts, Judge. That's not what I'm trying to say. I'm just
11 saying for the initial fee application -- I'm sorry. The
12 initial retention application I just don't want it to unduly
13 capped by the amount that the professor is requesting.

14 THE COURT: But are you --

15 MR. ZUMBRO: We think that that's not appropriate.

16 THE COURT: Are you saying that the professionals that
17 think they're willing to go back to the five percent, even for
18 the retention?

19 MR. ZUMBRO: Correct. One fee or five percent that
20 covers both retention application and the relevant periods
21 monthly and intern fee statements.

22 THE COURT: Okay.

23 MR. ZUMBRO: So just apply the Northern District Rule
24 6 to everything.

25 THE COURT: All right.

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1 MR. ZUMBRO: And then the other point that I just
2 wanted to address, Your Honor, we understand the Court's
3 default two-hour rule, but we would respectfully ask the Court
4 to reconsider the fifty percent discount approach proposed by
5 the professionals in light of the nature of this case and
6 Guideline 17 of the Northern District Guidelines. We recognize
7 that that guideline states that airplane travel time is
8 generally not compensable, but it does go on to explain that if
9 a significant airplane travel time is expected in the case,
10 specific guidelines should be obtained for that case. And,
11 Your Honor, that that is this case definitely --

12 THE COURT: I think what you're saying is please make
13 it, if not retroactive, at least make it prospective now as
14 anticipated.

15 MR. ZUMBRO: We would ask that applied throughout the
16 case --

17 THE COURT: No, I know you do. I know you do, but
18 remember that those guidelines, the district-wide guidelines,
19 were in place forever. It was in the early months after 911,
20 after --

21 MR. ZUMBRO: Okay.

22 THE COURT: -- the first PG&E case that I added the
23 five -- I mean the two hours --

24 MR. ZUMBRO: Oh.

25 THE COURT: -- to what we'll call my local guidelines.

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1 MR. ZUMBRO: I understand. I wasn't aware of that
2 history, Your Honor, but I --

3 THE COURT: Well, I looked at it. All you had to do
4 was try to fly from here to Los Angeles, and it --

5 MR. ZUMBRO: Right.

6 THE COURT: -- would take longer to go through
7 security than it would to be on the plane.

8 MR. ZUMBRO: Right.

9 THE COURT: And so --

10 MR. ZUMBRO: We understand. And look, I know, Your
11 Honor, we would like to point out, and I know it's not
12 controlling on Your Honor, but that is the approach that's
13 taken in a lot of large Chapter 11 cases --

14 THE COURT: Right, and I'm aware of that.

15 MR. ZUMBRO: -- in other districts, Texas and
16 Delaware. And that's our request, that we respectfully ask
17 that you consider the fifty percent approach --

18 THE COURT: Well, if you did it disrespectfully, I
19 probably wouldn't -- I'd probably have a different response,
20 but that's what you're asking that I do.

21 MR. ZUMBRO: Would disrespect cause a better outcome,
22 or --

23 THE COURT: I don't know. Maybe so.

24 MR. ZUMBRO: On redactions, Your Honor, we take your
25 point, and we accept that Guideline 13 should be the governing

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1 principle, so I don't think there's any issue there.

2 THE COURT: Yeah, well, I understand that there may be
3 redactions already, and I'm willing to give people some leeway
4 to correct it, and not to get punished. But again, I want to
5 just make sure you're clear -- because you're an experienced
6 lawyer, a lot of the lawyers here are very experienced -- when
7 you write down a time entry and you follow the standard who-
8 what-where-when, you don't have to act like somebody on CNN at
9 night that's telling about all the secret texts that have come
10 out and all this law -- be good judgement on what you put on
11 the time entry.

12 MR. ZUMBRO: We understand, Your Honor. Like a lot of
13 these things, there's a little bit of a tension between what
14 you just described and the fee examiner wanting sort of very
15 descriptive entries, and vague entries are sort of assumed to
16 be uncompeled, that's the tension. We're happy to follow --

17 THE COURT: It's the tension and particularly perhaps
18 lawyers who are newer in the practice and not as experienced
19 might feel obliged to tell the whole story. But I can tell you
20 more than once on occasion an indiscrete fee entry and a time
21 entry has led to some adverse consequences, having nothing to
22 do with fees being disallowed, but rather disclosing things
23 that shouldn't have been disclosed.

24 MR. ZUMBRO: Correct.

25 THE COURT: And I'm like, why did anybody do that?

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1 But we don't call for that.

2 MR. ZUMBRO: No, we --

3 THE COURT: That's not the rule.

4 MR. ZUMBRO: We appreciate the Court's guidance on
5 that point.

6 On the hearing schedule, we understand, and we accept
7 the Court's rule on the omnibus hearings for all professionals
8 will be held on the four-month intervals.

9 THE COURT: See, I'm optimistic that they will
10 be hearings that will take no time, because it will all be
11 taken care of. That's why we have the fee examiner. That's
12 why we have the process of meet and confer, and obviously, if
13 there are still objections. We'll hear them. And hear them on
14 time made available for that subject without conflicts on other
15 matters.

16 MR. ZUMBRO: Correct, and we understood your ruling to
17 say that the eighty percent rule would still apply in the
18 meantime.

19 The one point of difference, I do think and it sounds
20 like Your Honor alluded to it. There was some confusion in the
21 motion, but our position is any issue that's not raised at one
22 of these interim fee app hearings should be raised again only
23 in the final fee app, so we're not relitigating interim fee
24 application issues over --

25 THE COURT: Mr. Zumbro, would you tell me when the

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1 final hearing is going to happen?

2 MR. ZUMBRO: We're hoping --

3 THE COURT: You know that we haven't had a final
4 hearing in PG&E 1 yet? Are you around to help me review the
5 fees or will you be retired for several years?

6 MR. ZUMBRO: Those are two -- you've gotten me on two
7 historical items. I was not aware of that either. I did -- I
8 do know that the PG&E 1 case is still open.

9 THE COURT: Well, that's -- well, I mean, the point is
10 though functionally the fee apps are behind us, of course, but
11 what I'm getting at is that this notion of finality is -- you
12 know, it's a -- it's a dangerous thing. I do understand that
13 it might well be here if we get to a confirmed plan. That
14 that's the time to recognize that the Court's jurisdiction and
15 oversight should be curtailed as they are in most cases. And
16 none of the fees are being reviewed in PG&E 1
17 post-confirmation, but the point is it's not a final hearing in
18 a technical sense.

19 MR. ZUMBRO: We understand. We were just -- there was
20 some language in the motion that suggested the fee examiner
21 would have sort of a unilateral right to set hearings, which we
22 would think should be the Court doing that. And that we also
23 just wanted to make it clear that we understand and accept his
24 position that he needs to have sort of all of the applications
25 in front of him to adequately review them, but we just don't

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1 want there to be, kind of, in seriatim disputes on interim fee
2 applications to the extent we can avoid.

3 THE COURT: Well, I mean, seriously, I -- no matter
4 what happens on the other motion on calendar today or what
5 happens in other courts or in other administrative proceedings,
6 I hope we'll get to a confirmed plan in the reasonable near
7 future. And it may well be that for these purposes, that's the
8 finality in terms of -- and what is the role of the Court, and
9 the committees, and the U.S. Trustee and stuff.

10 MR. ZUMBRO: Understood.

11 THE COURT: Going forward we're all on the same page
12 about that.

13 MR. ZUMBRO: Yes, sir. Thank you.

14 THE COURT: Okay.

15 MR. ZUMBRO: So I think those are the only specific
16 issues that we're raising --

17 THE COURT: Well, there seemed to be --

18 MR. ZUMBRO: -- the fee examiner motions.

19 THE COURT: -- there seemed to be a willingness or
20 unwillingness on the part of some of the professionals to ex --
21 to disclose budgets. In other words, if there's a budget that
22 has been prepared, either at the request of the client, or
23 voluntarily, or the Court, which I don't think I've done, why
24 shouldn't there be some acknowledgment by the professional:
25 I'm under budget or I'm over budget or here's what the budget

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1 was?

2 MR. ZUMBRO: I didn't realize that was an issue for
3 today. Yes. We're happy to do -- the U.S. Trustee's
4 guidelines, I believe, require that to be done. And we've done
5 that in ours. And I believe Weil had done it in his.

6 THE COURT: Well, when I went through Mr. -- Prof.
7 Markell's protocols and his response -- or maybe it was the
8 U.S. Trustee, I've forgotten a little bit. I've read them
9 both, but I thought there was a resistance on the part of the
10 professionals to have to provide budget information in their
11 applications. And my point is that if you have them and
12 they're already in existence, then it seems to me you should do
13 it, but -- and again, is it a sore point or?

14 MR. ZUMBRO: No. I don't think it's a sore point. I
15 thing that it was just a lot of -- a lot of things in the
16 protocol were written in ways that were slightly inconsistent
17 with practice or the guidelines. For example, the guideline
18 requires the budget to be filed with your interim fee
19 application. All we were saying is if -- we'd like to follow
20 that proposal, but I don't think there's any -- there's no
21 issue there between us and the professor.

22 THE COURT: Okay.

23 MR. ZUMBRO: I would like to point out -- well, I
24 guess one point on the U.S. Trustee. We didn't really respond
25 to their points because it was not their motion and they were

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1 raising new substantive points in a -- in a response. We'll
2 work out any issues we have with them, I think, in the ordinary
3 course. The one point, I guess, Your Honor, had picked up on
4 today, I just wanted to make sure that the record was clear.
5 We take your point that you view it as a bright-line rule, but
6 I also just -- we have looked at this very carefully and under
7 the rules of professional responsibility we're confident that
8 everything we've done on the unadmitted first year is as
9 perfectly appropriate under both New York and California law.

10 THE COURT: I don't -- I don't question that. The
11 question is bright line in terms of if you're not admitted as
12 an attorney before the Court, you shouldn't be billing as an
13 attorney before the Court. That's all.

14 MR. ZUMBRO: We understand that that's different in
15 practices, but we understand Your Honor's position. I don't
16 think it's zero, though, as Mr. -- as the fee examiner had
17 proposed. And I just didn't want to go on the record --

18 THE COURT: No. I don't -- I don't disagree.

19 MR. ZUMBRO: -- because the U.S. Trustee in its papers
20 had implied that there was some unauthorized practice of law.
21 We felt that was important to address.

22 And then, finally, Your Honor --

23 THE COURT: Well, Mr. Zumbro, let's not kid ourselves,
24 the brightest new lawyer in your firm who hasn't yet been
25 admitted to the bar shouldn't be, "practicing law" in the --

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1 before this Court.

2 MR. ZUMBRO: We understand.

3 THE COURT: That doesn't mean he or she can't do, you
4 know, lots of other things that are compensable, and valuable,
5 and value added.

6 MR. ZUMBRO: Correct. That's -- we're not saying
7 anything different, Your Honor. We understand.

8 THE COURT: Okay.

9 MR. ZUMBRO: The last point I would just like to
10 mention -- we do have -- they're very specific issues with the
11 fee examiner and a lot of the individuals as Mr. Markell --
12 Prof. Markell referred to. He's in settlement discussions with
13 everybody. I'm confident we're going to work those things out
14 without having to get the Court involved.

15 But as a backdrop to those discussions, for issues
16 that go beyond what we've addressed today, what Your Honor will
17 enter, I would like to know for the record that the fee
18 protocol is just, as I think Prof. Markell said, is just the
19 fee examiner's views on certain topics. And it's not approved
20 or so ordered by the Court. I don't think there's any dispute
21 on that, but I wanted to make sure the record was clear that --

22 THE COURT: Well, I've reviewed the protocol as
23 permitted -- submitted and blacklined, and had some thoughts
24 about it, but this is why we're having this discussion today.

25 MR. ZUMBRO: Right. It's a bit --

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1 THE COURT: And this -- that's why I want a further
2 effort to see if they can come to an agreement.

3 MR. ZUMBRO: And we would appreciate that, Your Honor.
4 We did have one call with Prof. Markell, and as he admitted in
5 his papers, he effectively didn't take any of our changes so we
6 would appreciate if -- if he would maybe revisit our markup and
7 we could try one more time on that if that's what the Court is
8 indicating we should do.

9 THE COURT: No harm.

10 MR. ZUMBRO: All right.

11 THE COURT: No harm in trying.

12 MR. ZUMBRO: Yeah. Okay.

13 THE COURT: Okay.

14 MR. ZUMBRO: Thank you very much.

15 THE COURT: Thank you, Mr. Zumbro. All right.

16 So Ms. Green are you here and Mr. Bray? And I'm going
17 to hear from those two counsel, then Mr. -- Prof. Markell for
18 re -- closing comments, and then we're done for this one.

19 MS. GREEN: Good morning, Your Honor. Elizabeth Green
20 from Baker Hostetler --

21 THE COURT: All right.

22 MS. GREEN: -- and, as you know, we represent the TCC.

23 THE COURT: I do.

24 MS. GREEN: I actually agree with most of what Mr.
25 Zumbro said ex -- I wanted to make something clear for the

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1 Court though. The fee examiner has put in his guidelines that
2 we should spend twenty hours a month preparing fee
3 applications. And that a firm should be able to do that in
4 that period of time.

5 As to the TCC, we have forty-six TAS codes. And they
6 include all of those things that you talked about earlier with
7 Mr. Zumbro -- the Tubbs litigation, the estimation proceedings,
8 the CPUC proceedings -- and in doing that, we are required, of
9 course, to describe what it is that we're doing in the fee
10 application. And twenty hours a month is really untenable to
11 be able be able to do that. I -- as long as we are going to go
12 with guideline 6, the TCC is fine with that.

13 THE COURT: With the five percent?

14 MS. GREEN: The five percent. That will work, but in
15 terms of trying to comply with all of the descriptive
16 requirements, and also with the suggestions of the U.S.
17 Trustee, it's going to be a lot more difficult to be able to do
18 that in a twenty-hour period of time. And as you know, the
19 Ninth Circuit BAP and the Ninth Circuit itself, and Baker Botts
20 allows for expenses related to the preparation of fee
21 applications.

22 And of course, that's benefit to the estate for
23 everybody to know what it is the professionals are doing and to
24 support their applications. And so as long as we're with
25 guideline 6, we're fine with that.

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1 THE COURT: Okay.

2 MS. GREEN: Okay. Thank you.

3 THE COURT: Thank you, Ms. Green.

4 Mr. Bray, are you up for the OCC?

5 MR. BRAY: Good morning, Your Honor. Gregory Bray,
6 Milbank, counsel for the creditors committee. I don't really
7 have much to add other than just, when I heard the U.S. Trustee
8 say, and I think I've got right, is that they want us to comply
9 with the applicable local guidelines and the U.S. Trustee
10 guidelines, which we have every intention of doing unless
11 circumstances suggest otherwise, and you give us an exception.

12 And -- but both the fee examiner and the U.S. Trustee,
13 there's a lot of ink spilled in there and it's very dense about
14 exactly what it is we're supposed to be doing, but as long as
15 it's understood what we're supposed to do, what the
16 well-established case law says, what the local guidelines say,
17 and what the U.S. Trustee guidelines say, I think -- I think
18 we're all in agreement.

19 I'm a little concerned that we're going to get into a
20 level of nuance and substance that -- I think Ms. Green
21 articulated it too, that attempts to say you can bill X number
22 of hours for X particular task, and this and that. And unless
23 those are within the already established guidelines, or the
24 Court for some reason, is inclined to layer on additional
25 guidelines here, we would hope that what comes out of this is

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1 that we follow the rules that are in place --

2 THE COURT: Well, but some of the provisions in the
3 protocol, even if they're not consensual, they may be other
4 than, or in addition to either the other kind of guidelines.

5 MR. BRAY: I agree. And you may decide that --

6 THE COURT: Right.

7 MR. BRAY: -- some of those are appropriate. Some of
8 them may not be, but I would just again, there is
9 well-established case law. The Ninth Circuit all the way back
10 from Nucor (ph.) going forward hasn't been very clear, in many
11 of these instances about what's allowable, what's not. There's
12 Supreme Court case --

13 THE COURT: I know.

14 MR. BRAY: I mean, there's a lot of law.

15 THE COURT: But I mean, Nucor was a blessing to --

16 MR. BRAY: I understand.

17 THE COURT: -- every lawyer in the world loved Nucor,
18 right?

19 MR. BRAY: Well, but there -- but since then then
20 there's also been, you know, the Supreme Court -- it's just
21 there's a lot of law. There's local guidelines. There's U.S.
22 Trustee guidelines. And just our final request is that, to the
23 extent we can stay within those and those guardrails, we think
24 we're all better off. To the extent the Court feels it really
25 is necessary to modify those then, then that's -- of course, we

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1 will abide by that.

2 THE COURT: Well, I mean, I don't recall,
3 specifically. I mean, I remember the basic principal of Nucor.
4 I wonder how -- I remember how it broke from the rule. The
5 rule was never to appeal an adverse fee hearing, you're going
6 to do worse, right? But that didn't happen in Nucor. It was
7 the one time the lawyers did better.

8 But you know, some of the specific things that the
9 U.S. Trustee's objected to was number of lawyers and the
10 huge -- you know, the population, the large groups of people
11 that are attending hearings when they could be on the phone. I
12 mean, the case law doesn't address that.

13 MR. BRAY: No --

14 THE COURT: And the -- but protocols, to me, are
15 helpful in a case of this magnitude.

16 MR. BRAY: And as I said, you, Your Honor, you may
17 conclude in this case that type of an embellishment is
18 appropriate, but again, we're just -- our request is again, the
19 extent we can stay within the existing guidelines and
20 guardrails, we would request to do that. Of course, if you
21 believe that's additional guidance, or you think it would be
22 helpful for the process, we will of course, do that.

23 But it's ultimately the Court's, subject to or guided
24 by the rules and --

25 THE COURT: By the law, maybe?

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1 MR. BRAY: Yeah. Guided by the law. Well said.

2 THE COURT: Oh, heck. I don't why I have to follow
3 that.

4 MR. BRAY: To make the decision here. Yes. And we
5 just -- we -- I've said enough.

6 THE COURT: I got you.

7 MR. BRAY: Thank you, Your Honor.

8 THE COURT: All right. Professor, since I used to
9 call you Judge, but now you're Professor, you have the closing
10 comments.

11 MR. MARKELL: Thank you, Judge Montali. You can call
12 me Mr., you know, as my mother used to say, you can call me
13 anything but late for dinner.

14 THE COURT: I've called you other --

15 MR. MARKELL: Respect --

16 THE COURT: -- things in the past, but I'm going to --
17 but I'm not going to do it now.

18 MR. MARKELL: And I will not return the favor. So a
19 lot -- a lot has been said about the protocol, and before I
20 kind of get into, kind of, some of the details, I would, as you
21 thought -- as you suggested earlier, like the opportunity to
22 respond in writing to some of the concerns of the U.S. Trustee
23 and the retained professionals. Timeline, I will leave up to
24 you because I think, especially, given, kind of where I am,
25 with respect to the various professionals, I would like to have

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1 the opportunity to put that in writing in a way in which I can
2 make sure that I'm honoring my confidentiality agreements with
3 various people.

4 THE COURT: Well, I certainly want you to do that.
5 And I don't want you to renege on an agreement you made. I
6 mean if you -- you know, if we -- if I end up making a rule
7 that is different from what you might have already reached by
8 way of a compromise with a particular professional, we're not
9 going to mess that up. I mean, the sanctity of that agreement
10 is more important.

11 MR. MARKELL: I understand that. And a lot of what
12 has been talked about today actually has been rolled into some
13 of the negotiation. I mean, you mentioned earlier that you
14 haven't heard anybody has questioned the rates. I've not done
15 that publicly. I have done that privately. We are talking
16 about a wide range of things when we sit down and talk to the
17 various professionals.

18 And in some cases, you know, the professionals have
19 been very responsive and very helpful. Some cases, not so
20 much. And so it's -- as with all things, it's a little bit
21 unruly. I would simply say that one, with respect to the
22 travel aversion, as I said earlier, I agree with your tentative
23 ruling.

24 THE COURT: But even my tentative ruling -- my
25 tentative ruling is even that, is a -- is a departure from your

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1 recommendation, so. Right?

2 MR. MARKELL: Well, yes.

3 THE COURT: Okay. Okay. That's all right.

4 MR. MARKELL: I mean, my -- in many cases, my
5 recommendation is such that I saw guideline 17 and I saw your
6 two-hour rule. And I also saw that both of them indicated
7 that, you know, courts -- excuse me, firms, if they wish to do
8 so, could request difference and no one here, as was said
9 before, requested anything different. Again --

10 THE COURT: Well, you've just heard -- but the request
11 was just made from the podium, though, consistent with the --

12 MR. MARKELL: And I would -- and I would -- and I
13 would oppose -- I mean, for example, I think is perfectly
14 reasonable to have a two-hour rule, as you say. I mean, my
15 role in this to be -- and you please do correct me, as you've
16 done before, with respect to this. In this matter, as fee
17 examiner, I am in many respects your proxy. I am trying to
18 alleviate work that would come to you in terms of assessing
19 whether or not the professionals have complied with Section
20 330.

21 And so my role in this is to -- is to expedite the
22 process, as you said, hopefully to have hearings in which there
23 is no hearing, that people just kind of, oh, see if there's any
24 objections and we go forward. But at the same time -- and the
25 protocol was based on protocols in many other cases. I

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1 consulted with other key professionals. There are some, but
2 not a lot in there, that is different than other cases. And
3 unfortunately, lawyers sometimes, when given a guideline, think
4 that it's an ironclad rule. And kind of the reverse of that is
5 for example, the discussion with respect to fee applications
6 and retention. Everyone loves the five percent cap. I'm okay
7 with that, but I'd like it understood that that's a cap, and
8 what may be reasonable may be much less than that.

9 And all I have been doing is I have been looking at
10 what people have been charging is not so much, did you hit the
11 five percent cap and go over it, because I don't think that's
12 what that rule is intended to do. I've been looking at whether
13 or not what the time in is reasonable of -- and have not taken
14 the five percent as that to which they could go to without any
15 other restrictions.

16 THE COURT: Okay. In other words, it's not
17 commission. It's not a --

18 MR. MARKELL: Yeah.

19 THE COURT: -- five percent like jacked on your
20 restaurant bill, right?

21 MR. MARKELL: Right?

22 THE COURT: There were six people at your table, so
23 we're adding --

24 MR. MARKELL: That's --

25 THE COURT: -- twenty percent. Right?

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1 MR. MARKELL: Right, it's not service. Yes. And in
2 fact -- and I think Mr. Zumbro got it -- got close to the mark.
3 The protocol is a series of my understanding of what reasonable
4 compensation is under Section 330(a)(1). I am not doctrinaire
5 on that. I mean, you know, the context is most times
6 everything. And I've certainly been, in my negotiations, I
7 think, willing to listen to different concerns with respect to
8 some of them, but on many of these aspects, again -- let's take
9 redactions. I have not said, and do not say that if any part
10 of a time entry is redacted, it's not allowed. What I have
11 said, is I can't review what I don't know. And unless there's
12 enough information to assess it, I would have to say it's not
13 permissible.

14 I've also given the professionals some guidance about
15 how to get around that. Give the information so that they
16 protect their privilege, which I understand they should. But
17 at the same time, there are situations and times under which
18 you could take a look a time entry and you can't figure out
19 what's going on or it's too vague. You know, our job is to --
20 is to object.

21 So I'm more than -- I'm willing to enter into other
22 discussions with respect to the protocol. I will tell you that
23 the one call that we had on this, which occurred in June, was
24 not very productive and not very helpful. I would hopefully
25 have another attempt at it, but I think some of the things that

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1 have been requested, I think, maybe they're negotiating in a
2 way in which people might think I'm negotiating, which is start
3 high and then hope for something in the middle.

4 If that's the case, presumably we could come up with
5 something, but I think -- and I guess my concluding comment
6 would be I would separate out reaching agreement on a protocol
7 from any order that would come out of this hearing because I'm
8 not exactly sure their necessarily tied to one another. And
9 indeed, I think the professionals need some direction with
10 respect to the issues that I have raised in the motion.

11 THE COURT: Okay. Well --

12 MR. MARKELL: With that, unless you have any quick
13 questions.

14 THE COURT: Well, I have a -- I have a comment and a
15 question. My comment is you made the observation that, to some
16 extent, you're a proxy for the Court and I guess I agree with
17 you, in part, because you're getting -- you have to put in a
18 lot of effort to do something. I simply don't have the time or
19 the ability to do what you and your software provider can do
20 for you.

21 But to some extent you're not a proxy because I am not
22 a trial judge who can take off my robe and sit down at the
23 table with litigants and mediate at the same time, at least in
24 this case. I can mediate in some other case, but to the extent
25 that --

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1 MR. MARKELL: Right.

2 THE COURT: -- but to the extent that you play a
3 mediator role, such as, perhaps, you've done with the firms
4 that you've reached a tentative understanding, then I think
5 that's a very important act. And I think for the same reason,
6 this isn't the hearing in June, the meeting in June. This is
7 the first time we've had a hearing of this nature. I've gotten
8 such --

9 There's been a lot of attention from a lot of highly
10 experienced professionals, and I, for one, have taken at least
11 a little bit of time to lay out my thinking on some of the big
12 ticket items; some of the smaller items I've -- almost every
13 one of them -- we've already covered, just in the course of
14 this colloquy. About the only one that's on my list as sort of
15 the -- not as big is the question of whether any of the
16 professionals should be recording or reporting time spent on
17 other matters. And I think I agree with them. I believe
18 that's your protocol provision 5.1.2, that -- and I don't think
19 it's appropriate for Lawyer X to say, by the way I spent
20 fifteen hours or twenty hours or twenty minutes on a matter for
21 another client that's unrelated to PG&E. So that, I come out
22 on their side on that one.

23 So here's what I'm going to do. I -- I mean, I do one
24 thing that's a bit unusual --

25 MR. MARKELL: Yeah, can I -- can I speak to that just

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1 for one second --

2 THE COURT: Yes.

3 MR. MARKELL: -- Judge Montali?

4 THE COURT: Yes sir.

5 MR. MARKELL: Real briefly on that. My concern is
6 that I don't want to know specifically. I want to know in the
7 aggregate. Because one of the concerns that I have, and it
8 comes in the twelve-hour billing, and it comes in other things,
9 that many times professionals are, if you will, overworked.
10 And when they're overworked, if you accept that, then I'm not
11 sure they're worth their hourly rate. And I had asked that in
12 5.1.2, to get a better sense of how -- I mean, someone may work
13 two hundred hours a month on PG&E, and that's fine, but if
14 they're working two hundred hours on another case, then I want
15 to know a little bit more about whether or not what they have
16 billed is reasonable.

17 THE COURT: They may --

18 MR. MARKELL: But that's all.

19 THE COURT: They may -- they may -- they may be --

20 MR. MARKELL: As you point out --

21 THE COURT: They may be spending three hundred hours a
22 month taking care of an aging parent. I don't want to go
23 there. I think it's a bad --

24 MR. MARKELL: Fair enough.

25 THE COURT: -- precedent. And they're -- so you can

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1 look at the time and -- and this gets back to the point. If
2 you say, why did attorney so and so have five hours for the
3 entire month; what was going on? An offline conversation with
4 the professional one-on-one is how the system ought to work. I
5 don't want to make it public and --

6 MR. MARKELL: Right.

7 THE COURT: -- make a big deal.

8 All right, here's what I'm going to do.

9 MR. MARKELL: Okay. Thank you.

10 THE COURT: Thank you for your time.

11 I'm going to take the matter under advisement. I'm
12 going to give Professor Markell and Mr. Zumbro -- I'm looking
13 at you, but I'm -- Ms. Green, Mr. Bray, anyone else, I'm going
14 to say ten days -- in the next ten days make an attempt at
15 least, meet and confer by telephone or Skype or however you
16 want to do it, but you don't have to -- no traveling first
17 class cross-country to have a face-to-face meeting unless you
18 eat the time -- ten days to see if you can come up with any
19 improvements or adjustments to the protocol. And at the same
20 ten-day deadline, Mr. -- Professor Markell, I'll give you no
21 more than ten pages of a response, and then the matter will be
22 submitted.

23 I'm going to make one other direction to you, Mr.
24 Zumbro, and it's not something I've done before, but I'm going
25 to do it anyway; I want in that -- at the end of the ten days,

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1 after you've had a discussion from -- with Mr. Markell,
2 Professor Markell, I want a statement from a senior officer,
3 either the CEO or the general counsel or Mr. Wells are the
4 three people that -- I want someone from the company to tell me
5 what he or she -- his or her position on these matters. Not
6 line by line, not you know, detailed, just a statement of what
7 from the corporate -- executive office's point of view is what
8 is their response and position on this kind of expense -- these
9 kind of expenses being paid to the professionals. And I don't
10 want it to turn into a puff piece on my lawyers are the best
11 lawyers in town. I'll assume that they believe that. I just
12 want to have a corporate officer tell me what he or she thinks
13 about these items, such as the ones that we've been talking
14 about. And I will take it into account. And with that, I'm
15 going to treat this matter as submitted.

16 MR. ZUMBRO: Your Honor --

17 THE COURT: Is there a --

18 MR. ZUMBRO: -- could I make one comment.

19 THE COURT: Yeah.

20 MR. ZUMBRO: We will diligently work toward some sort
21 of consensus, but there are twenty-four retained professionals
22 in this case.

23 THE COURT: I know.

24 MR. ZUMBRO: What I am hearing is we're going to try
25 to build some consensus with the U.S. Trustee's Office,

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1 Cravath, Milbank, Baker Hostetler; that's four entities, not
2 twenty-four entities.

3 THE COURT: Well, that's right.

4 MR. ZUMBRO: Okay.

5 THE COURT: That's right. But that doesn't mean -- I
6 mean, if you file something and -- look, the matter's
7 submitted. I heard from Mr. Zumbro for a group of people. I
8 heard from Mr. Bray, specifically. I believe his firm was the
9 only firm that filed a separate response. TURN filed a
10 response, and the U.S. Trustee filed a response. So those are
11 the people that thought enough to respond.

12 MR. ZUMBRO: Excellent.

13 THE COURT: And that's what I'm going to do and take
14 the matter under advisement.

15 MR. ZUMBRO: All right. We're front in line. Thank
16 you, Your Honor.

17 THE COURT: All right, matter submitted -- I mean,
18 along the lines we talked.

19 Professor --

20 MR. MARKELL: Thank you.

21 THE COURT: -- Markell, thank you for your time. Are
22 you going to stay on for the rest of the hearing?

23 MR. MARKELL: No, unfortunately I'm in between
24 classes. I have to go teach now, so.

25 THE COURT: Teach well.

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1 MR. ZUMBRO: Thank you, Your Honor.

2 THE COURT: Okay.

3 MR. MARKELL: Thank you.

4 THE COURT: Mr. Karotkin, are you going to give me a
5 update on the other matters, our briefing matters?

6 MR. KAROTKIN: Yes, Your Honor. Stephen Karotkin,
7 Weil, Gotshal, and Manges for the debtors. Just that, as a
8 point of order, I don't know about you, but by the time you get
9 to the final fee hearing in PG&E one, I will assure you that
10 Mr. Kornberg and I will be retired.

11 THE COURT: Well, I won't be. Sorry.

12 MR. KAROTKIN: With respect to the scheduling, we're
13 still trying to work that out. And could we put that to the
14 end of the hearing?

15 THE COURT: Oh, sure.

16 MR. KAROTKIN: Okay.

17 THE COURT: Yeah, I mean I -- I -- yes, but what's the
18 answer to the Cum -- Cum -- you know the --

19 MR. ZUMBRO: Cantu.

20 THE COURT: -- the name I'm forgetting.

21 MR. ZUMBRO: Cantu.

22 THE COURT: Huh?

23 MR. ZUMBRO: Cantu.

24 THE COURT: The issue on the -- on the --

25 MR. KAROTKIN: I'll let Mr. --

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1 THE COURT: -- brief.

2 MR. KAROTKIN: -- Orsini address that.

3 THE COURT: Yeah, Mr. Orsini. Sorry, I forgot the
4 name. You know what I mean.

5 MR. ORSINI: Cantu, Your Honor.

6 THE COURT: Cantu, Cantu.

7 MR. ORSINI: Good morning.

8 THE COURT: Cantu.

9 MR. ORSINI: Kevin Orsini for Cravath, on behalf of
10 the debtors.

11 THE COURT: So -- so, I mean, it seemed like it
12 belonged here rather than upstairs.

13 MR. ORSINI: We're happy to brief it anywhere, Your
14 Honor. I think our expectation was -- just going back, there
15 are two different issues with respect in this combination.

16 THE COURT: What kind of issues?

17 MR. ORSINI: There's a threshold challenge which says,
18 doesn't apply to us because we're in a restaurant utility.
19 That applies irrespective of the fact --

20 THE COURT: Right.

21 MR. ORSINI: -- of any particular fire.

22 THE COURT: Now that's clear.

23 MR. ORSINI: That's clearly before Your Honor. The
24 Cantu argument is fact specific. It will apply to some fires
25 and not others.

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1 THE COURT: But they're not facts that are likely to
2 be --

3 MR. ORSINI: But I don't believe they are facts in
4 dispute, which is why we will submit a non-summary judgment.

5 THE COURT: Well, and -- Mr. Orsini, more
6 specifically, it doesn't seem to me to implicate the personal
7 injury wrongful death piece that is why --

8 MR. ORSINI: That is --

9 THE COURT: -- why you were sent upstairs.

10 MR. ORSINI: That's a hundred percent correct, Your
11 Honor.

12 THE COURT: Okay, that's all.

13 MR. ORSINI: Since by definition, inverse is property
14 damage.

15 THE COURT: Yeah. So I mean if any of the personal
16 injury lawyers or the TCC lawyers have a different view, maybe
17 they better be heard before we end up today. But what I'll do
18 is, we'll move to the exclusivity issue as Mr. Karotkin
19 suggested, and by the end of the hearing, if there's an
20 agreement on the timing for briefs, I'll take it.

21 And I'm not going to hold you to it, Mr. Karotkin. If
22 there -- if it takes more time, that's okay with me. I just
23 want to know what the time is, and if you guys file a
24 stipulation that says you're going to brief it tomorrow and
25 we're supposed to make a ruling on Thursday, that won't work.

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1 MR. ORSINI: I'll let Mr. Karotkin propose that, Your
2 Honor.

3 THE COURT: Yeah, okay. Okay, so Mr. Karotkin, are we
4 ready to go to the exclusivity issue? Or you want -- that's
5 where I think we are.

6 MR. KAROTKIN: Yes, sir, I believe so.

7 THE COURT: Okay, well, I -- I'm not going to take a
8 break. Let's do it. And we have given you the time on that,
9 so here we go.

10 MR. QURESHI: Good morning, Your Honor. For the
11 record, Abid Qureshi, Akin, Gump, Strauss, Hauer, Feld on
12 behalf of the Ad Hoc Noteholder Committee. Before we start the
13 stopwatch, Your Honor, if I could just give you the allocation
14 on our side?

15 THE COURT: Sure.

16 MR. QURESHI: So I will lead off on behalf of the
17 Bondholders for approximately fourteen minutes, followed by the
18 TCC for eight minutes. The TCC is going to yield some of their
19 time to the Singleton Firm, followed by the UCC for eight
20 minutes, and then TURN and the IBEW for a total of five
21 minutes. That leaves roughly ten minutes that I would like to
22 reserve for rebuttal.

23 THE COURT: Okay, thank you.

24 MR. QURESHI: Okay. So with that, Your Honor, why
25 don't I jump right in and start with the question Your Honor

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1 posed which is what has changed? A tremendous amount has
2 changed since the last hearing.

3 Let me start with the debtors and their equity holders
4 and the plan that they have filed. Your Honor, that plan is an
5 extraordinarily risky one. It is a one-way bet on the outcome
6 of the TUBS trial, of the estimation proceedings, and
7 resolution of the yet-to-be-filed government claims for both
8 federal and state agencies. If exclusivity is maintained, Your
9 Honor --

10 THE COURT: Well, and I have to stop you there.

11 MR. QURESHI: Sure.

12 THE COURT: If the government claims come in and I
13 take the view that that gets to be treated separately, then
14 it's going to be treated separately. I mean, in other words,
15 if in my view it can't be estimated because of the reasons that
16 we stated, then I'm not sure where we go with the PG&E plan.

17 MR. QURESHI: Right, well, the issue Your Honor, is
18 those --

19 UNIDENTIFIED SPEAKER: Your Honor. I apologize. I
20 don't mean to interrupt. We're having difficulty hearing you.
21 Can I make a request --

22 THE COURT: Sorry.

23 UNIDENTIFIED SPEAKER: Thank you, sir.

24 THE COURT: I do my best, and you didn't interrupt. I
25 appreciate the interruption.

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1 UNIDENTIFIED SPEAKER: Thank you.

2 MR. QURESHI: So Your Honor, the yet-to-be-filed
3 government entity claims, FEMA, other California state
4 agencies, those claims are not part of the estimation
5 proceedings. Our understanding, Your Honor, is that with the
6 debtor's plan, there is an aggregate cap, 18.9 billion dollars,
7 on all wildfire liabilities, inclusive of those claims. And so
8 the point I am making, Your Honor, is that when one takes the
9 pieces that build up to that wildfire liability cap, TUBS, the
10 estimation proceeding, the yet-to-be-filed claims -- Your
11 Honor, this is an extraordinarily risky plan. The Creditor
12 plan --

13 THE COURT: Well, tell me why you call it risky.

14 MR. QURESHI: Sure. Because of the financing, Your
15 Honor. So let's review the breakdown right now of the 18.9
16 billion dollars. So let's start with, Your Honor, 18.9 billion
17 representing in their financing commitments, both the equity
18 financing and the debt financing, a cap on wildfire liability
19 claims. So what that means is, if the total wildfire
20 liabilities come in above that number, there is no more
21 committed financing for their plan. So what is the breakdown
22 for the eighteen --

23 THE COURT: Well, that -- okay, let me stop there.

24 MR. QURESHI: Sure.

25 THE COURT: There's no more committed financing today,

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1 but like any other plan, when it comes time to either disclose
2 in a disclosure statement or more likely, to pre-trial or brief
3 your -- how you're going to meet your confirmation standards,
4 there's going to be a proof of -- by the way, here's how I'm
5 going to prove feasibility. And if they can't -- if they can't
6 close the loop, they will lose, but that doesn't mean the plan
7 is fatally flawed at the moment.

8 MR. QURESHI: Your Honor, here is the issue. And this
9 is why exclusivity must be terminated today, respectfully.
10 Under their plan, because those financing commitments, both the
11 debt and the equity, are premised upon a cap on liability, the
12 first point is to understand that those financing commitments
13 cannot be changed at the stroke of a pen. And the reason for
14 that, Your Honor, is that the financing that the equity
15 holders -- and that is who it is coming from -- the equity
16 financing from the equity holders is premised upon a recovery
17 on account of their existing equity. And in their plan --

18 THE COURT: Right.

19 MR. QURESHI: -- when they cap liability at 18.9
20 billion dollars, that leaves approximately a seven-billion-
21 dollar recovery to the equity holders on account of their
22 current equity. But Your Honor, when that liability goes up --
23 so in addition to the financing commitments going away
24 completely -- when that liability goes up -- so let's take as
25 an example, the 25.5-billion-dollar-aggregate number that is

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1 the settlement in the Creditor plan; if we have estimation and
2 the TUBS trial and the government claims get resolved, and all
3 of that comes out to 25 billion dollars, the value that is
4 remaining for equity on account of their current equity
5 interests all but disappears. There is virtually nothing left.
6 At the 25-billion-dollar level, it's a few hundred million
7 dollars. So the point, Your Honor, is that the equity holders
8 will have no more economic incentive at that point to put up
9 more financing, in addition, to no contractual obligation on
10 either the equity or the debt side to do it. And that is why,
11 Your Honor, there needs to be an alternative. And the
12 alternative is the Creditor plan. And the Creditor plan has a
13 25.5-billion-dollar settlement?

14 THE COURT: Well you call it -- the other side doesn't
15 quite call it a settlement.

16 MR. QURESHI: Well --

17 THE COURT: But leave it aside there -- it's a figure.

18 MR. QURESHI: It -- it, well, it --

19 THE COURT: It's a number. I'll take it as the
20 number. That's --

21 MR. QURESHI: Well, but -- but Your Honor, I think
22 it's more than a number, because what it represents is an
23 agreement as to what an aggregate cap on wildfire liabilities
24 will be.

25 THE COURT: But what -- what happens if your plan goes

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1 forward --

2 MR. QURESHI: Sure.

3 THE COURT: -- and in January or February, TUBS plus
4 Judge Donato, estimates the liability claims at sixteen
5 billion, seventeen billion dollars, eighteen billion? What
6 happens?

7 MR. QURESHI: So I --

8 THE COURT: Your plan's dead, right?

9 MR. QURESHI: I concede that if the claims come in at
10 that level, yes. Our plan, unless it is modified for where a
11 claim is --

12 THE COURT: Well, claims come in -- claims come in or
13 the estimation? I mean the --

14 MR. QURESHI: Again, it's the combination, Your Honor,
15 of --

16 THE COURT: Well, I understand but the --

17 MR. QURESHI: -- all wildfire liabilities.

18 THE COURT: But Mr. Qureshi, when the claims deadline
19 occurs, that doesn't mean we know what the claims are. We know
20 what the asserted claims maxim is, but chances are there's some
21 fluff in some of those claims, right?

22 MR. QURESHI: Correct.

23 THE COURT: Okay. So my point is, though, your plan
24 is out if -- is dead if the estimation plus TUBS -- well,
25 that's just another form of estimation --

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1 MR. QURESHI: Sure.

2 THE COURT: -- exceeds your figure, right?

3 MR. QURESHI: Not exceeds, Your Honor. If estimation
4 plus TUBS plus the government claims --

5 THE COURT: I'm backing your eleven billion for the
6 (indiscernible) and just focusing on the fire victims. So
7 that's fourteen and a half billion, right? Right?

8 MR. QURESHI: So you --

9 THE COURT: Right?

10 MR. QURESHI: Correct, so --

11 THE COURT: So if the estimation is sixteen billion
12 for fire damage, what does that do to your plan?

13 MR. QURESHI: Our plan in that circumstance is not
14 dead, Your Honor, because we have an agreement, a settlement,
15 with the TCC for an aggregate cap of 25.5. So let's talk about
16 a world where ours is the only plan -- not suggesting that
17 that's the case, but just to test the --

18 THE COURT: Well, you'd like there to be, but at the
19 moment, that isn't the case.

20 MR. QURESHI: And we're not suggesting today, Your
21 Honor, that the debtor shouldn't be permitted to proceed with
22 their plan. But just to illustrate this point. So our plan,
23 we do not believe requires estimation.

24 THE COURT: No, I know that. I know that.

25 MR. QURESHI: Right?

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1 THE COURT: But that's not, but that --

2 MR. QURESHI: Right.

3 THE COURT: -- but until your plan is in and their
4 plan is withdrawn, there's got to be an estimation if we want a
5 compromise, right?

6 MR. QURESHI: We agree.

7 THE COURT: So you still haven't explained --

8 MR. QURESHI: We -- we --

9 THE COURT: I'll shut up and let you tell me, but
10 explain to me --

11 MR. QURESHI: Sure.

12 THE COURT: -- what happens if the estimation exceeds
13 14.5 for the victims.

14 MR. QURESHI: Our plan is still confirmable in that
15 eventuality. Again, we have an agreement with the TCCs to have
16 the aggregate liabilities to be 25.5 billion dollars,
17 irrespective of what might happen in estimation. So we would
18 then proceed to confirmation with our plan --

19 THE COURT: But -- but why -- but suppose -- wait a
20 minute. If the estimation comes in more than the twenty-five
21 and a half -- and again, it's easier for me to focus on the --

22 MR. QURESHI: Sure.

23 THE COURT: -- take the subrogation out. So if -- if
24 magically I could tell Judge Donato plus TUBS jury says 18
25 billion, how -- what -- well, your 14.5 is off the table. Who

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1 would ever vote for it?

2 MR. QURESHI: Well, Your Honor, the point is in that
3 circumstance, unlike the equity holders, if it comes in above
4 that number, we will have the ability, if it is necessary, to
5 increase the recoveries in our plan. So the point --

6 THE COURT: And wouldn't PG&E have the similar ability
7 to do it?

8 MR. QURESHI: Theoretically, Your Honor, that is
9 right. But the point with the equity plan is they're not going
10 to have an economic incentive to do that.

11 THE COURT: Why would your plans have an economic
12 incentive?

13 MR. QURESHI: Because --

14 THE COURT: Well, it's the same numbers, right? The
15 same residual value.

16 MR. QURESHI: No, Your Honor.

17 THE COURT: No?

18 MR. QURESHI: Because of the absolute priority rule.
19 Equity comes last. So the first thing that happens when claims
20 start coming in about -- remember, in their plan, they are
21 giving existing equity a seven-billion-dollar recovery. So
22 when claims -- and that's premised upon an 18.9-billion-dollar
23 cap on wildfire liabilities.

24 THE COURT: Yes, I understand.

25 MR. QURESHI: So if those liabilities come in above

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1 18.9 billion -- set to the side commitments, okay?

2 THE COURT: Or stated differently, if the estimation
3 comes in higher.

4 MR. QURESHI: Correct. If estimation comes in higher,
5 then that eats into the recovery on account of their existing
6 equity.

7 THE COURT: But I guess what I'm missing, I'm sorry
8 to --

9 MR. QURESHI: Yeah.

10 THE COURT: -- beat this to death. Why isn't that the
11 same consequence under your plan? If the -- I mean, if
12 everything else is the same -- what you've pointed out is that
13 there's seven billion dollars reserved for equity under the
14 PG&E plan. But if the -- if the claims go higher, that equity
15 goes lower. Why isn't the same result for you?

16 MR. QURESHI: In the circumstance of the equity, Your
17 Honor, when estimation comes in at approximately a twenty-five-
18 billion-dollar number, their interest is wiped out. It's gone.
19 Okay? So their existing equity becomes worthless, and in that
20 eventuality, they don't have an economic incentive to put up
21 the financing.

22 In our case, there absolutely can come a point,
23 depending on where estimation comes in, where we become
24 impaired, where this is no longer a solvent to state.

25 THE COURT: Um-hum.

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1 MR. QURESHI: But when we become impaired, Your Honor,
2 the bondholders still have an approximately fifteen- or
3 seventeen-billion-dollar position that they are here to
4 protect. And it may be in that circumstance, Your Honor, that,
5 when we no longer have a solvent to state, that the bondholders
6 are no longer entitled to a recovery in full. But, Your Honor,
7 we still have, at that point in time, an economic incentive to
8 protect the bond position.

9 THE COURT: Well, I think what you're telling me in
10 simple words is that, if the estimation is higher than 14.5 or
11 whatever the breakpoint is to eliminate equity under the PG&E
12 plan, you will simply eat it, absorb it, at the --

13 MR. QURESHI: Well --

14 THE COURT: -- senior debt level.

15 MR. QURESHI: -- so -- so --

16 THE COURT: Right?

17 MR. QURESHI: But not right away, Your Honor.

18 THE COURT: Yes.

19 MR. QURESHI: Because the first thing that happens
20 under our plan -- again, we have a settlement with the TCC.
21 That settlement is not conditioned upon the outcome of the
22 estimation proceedings.

23 THE COURT: No, I understand that.

24 MR. QURESHI: Right? And that settlement has an
25 aggregate cap of the 25.25 -- 25.5 billion --

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1 THE COURT: Okay, but I'm going to -- I -- I --

2 MR. QURESHI: Sure.

3 THE COURT: I gave you time and then I'm taking it
4 away. What happens if the estimation comes in below your
5 figure?

6 MR. QURESHI: The T --

7 THE COURT: Is your plan confirmable?

8 MR. QURESHI: Yes.

9 THE COURT: Well, why? Doesn't it --

10 MR. QURESHI: Because --

11 THE COURT: -- violate the absolute priority rule by
12 overpaying the victims? In other words, again, I want to put
13 the subrogation to the side, because that -- unless I'm missing
14 something, that's a constant in both plans. So --

15 MR. QURESHI: It --

16 THE COURT: -- to me -- to me, your plan pays the
17 victims fourteen and half billion, the PG&E plan that your
18 challenging today offers them eight billion or 8.4 billion. So
19 there's about a six-billion-dollar delta. But if the
20 combination of district court estimation plus TUB fire jury
21 comes up lower than your figure, it seems to me that's good for
22 the victims, but it makes for an uncomfortable plan because
23 they're over -- just as -- as the stockholders have argued, it
24 overpays the claim -- the class.

25 MR. QURESHI: Let me try to be clear, Your Honor.

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1 THE COURT: Okay.

2 MR. QURESHI: I agree.

3 THE COURT: Okay.

4 MR. QURESHI: If claims -- if estimation comes in
5 lower than what the debtors are saying, right, under our
6 plan --

7 THE COURT: Lower --

8 MR. QURESHI: -- the would be getting paid --

9 THE COURT: Lower than what you're saying.

10 MR. QURESHI: Then under our plan they would be
11 getting paid more than in full, and our plan would not work,
12 unless it is modified.

13 THE COURT: Well, I mean, every plan in the world
14 might work if it's modified.

15 MR. QURESHI: Correct.

16 THE COURT: The question is whether it's appropriate
17 to open the door again and for the second --

18 MR. QURESHI: Yeah.

19 THE COURT: -- to let your plan be vetted. That's
20 all.

21 MR. QURESHI: Understood.

22 THE COURT: Okay.

23 MR. QURESHI: And -- and -- but let me go back to the
24 other scenario. The other scenario is what happens if
25 estimation comes in higher.

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1 THE COURT: Yeah.

2 MR. QURESHI: Right?

3 THE COURT: Fair enough.

4 MR. QURESHI: And if estimation comes in higher, the
5 point I'm trying to make, Your Honor, is that our plan includes
6 an agreement with the TCC to vote in favor of our plan,
7 irrespective of the outcome of estimation. And so we would
8 then proceed to confirmation, irrespective of estimation coming
9 in, at a higher level with an agreement by the TCC to vote in
10 favor of a plan that provides an aggregate cap of 25.5 billion
11 dollars. And Ms. Dumas will confirm that on behalf of the TCC.
12 So you --

13 THE COURT: So where does the extra amount go?

14 MR. QURESHI: In that scenario, there is no extra
15 amount, Your Honor. That's a scenario where estimation comes
16 higher.

17 THE COURT: Yeah, I got it. And that's my point.
18 Let's stick with hypotheticals.

19 MR. QURESHI: Sure.

20 THE COURT: Let's suppose the estimation is eighteen
21 billion dollars, but the TCC has just committed to vote for a
22 plan that pays them fourteen and a half billion.

23 MR. QURESHI: If the estimation is --

24 THE COURT: So where does the other two and half
25 billion go?

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1 MR. QURESHI: If the estimation is, in the aggregate,
2 eighteen billion dollars, our plan is not confirmable. We
3 concede that.

4 THE COURT: Okay.

5 MR. QURESHI: Okay? Now let me explain why Your Honor
6 should terminate exclusivity in order for their -- for our plan
7 to proceed. The reason is because we think there is a very
8 high likelihood that estimation and the yet-to-be-filed
9 government claims and TUBS will aggregate significantly north
10 of what the debtors are contemplating in their plan. If that
11 happens Your Honor and if we are right that in that
12 circumstance the equity holders are not able to raise the
13 financing to satisfy those claims, then their plan fails.

14 THE COURT: No, I -- I agree with you that --

15 MR. QURESHI: And if their plan fails, we don't have
16 time in this case for any kind of an alternative, unless Your
17 Honor terminates exclusivity today. If this were a different
18 circumstance, Your Honor, where we did not have the June 30th
19 deadline, then perhaps it would make sense to let the equity
20 holders swing for the fences, because that's what they're
21 doing. Let them try to aggressively litigate against the
22 victims here, and if it doesn't go their way, then we could
23 pick it up again in February or March and follow with another
24 plan. But Your Honor, here, we simply don't have the luxury of
25 that kind of --

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1 THE COURT: Well, this --

2 MR. QURESHI: -- time.

3 THE COURT: -- this gets back to the point that I
4 raised in setting the hearing. Is it a backup plan or a
5 competing plan?

6 MR. QURESHI: It --

7 THE COURT: I mean, it sounds to me as you describe
8 it, you don't want to go and have to reinvent the wheel and
9 start over.

10 Whoever's coughing near the microphone, just cover the
11 microphone when you cough. That's all. I don't mind if you
12 cough.

13 So are you saying that we -- Mr. Qureshi, that if I
14 allow your plan to be filed and get ready to go, we still --
15 we're finished and we don't get to your plan if the debtor's
16 plan is confirmed?

17 MR. QURESHI: No.

18 THE COURT: Or you really are back to the parallel
19 track -- competing plans -- and if they're both accepted, then
20 I have to make the decision?

21 MR. QURESHI: Correct.

22 THE COURT: Okay.

23 MR. QURESHI: So -- so the way we think of it, Your
24 Honor, is an alternative plan --

25 THE COURT: Right.

PG&E Corp., Pacific Gas and Electric Co.

1 MR. QURESHI: -- rather than a backup plan.

2 THE COURT: Well, the terms in the briefing, it was
3 argued that it was kind of --

4 MR. QURESHI: Right.

5 THE COURT: -- when -- we need our plan because the
6 other one is going to fail.

7 MR. QURESHI: And that absolutely is how we view it.
8 Again, Your Honor, if the world comes to pass the way the
9 equity holders hope that it will, which is underneath that
10 18.9-billion-dollar number, then as drafted, our plan would not
11 work and we concede that. What we are saying is, because there
12 is a tremendous risk that estimation and TUBS and the
13 government claims are going to come in well above that --

14 THE COURT: Right.

15 MR. QURESHI: -- it is just not a sensible risk for
16 this estate to take, to find ourselves, at the conclusion of
17 that process, in a place where the financing isn't there to
18 satisfy those claims.

19 THE COURT: Okay. So --

20 MR. QURESHI: And the only --

21 THE COURT: So that's -- so that's the change that
22 you've said. You -- that -- then when I ask for the change,
23 your saying they haven't -- they haven't got a financeable plan
24 at this point if the numbers come in higher.

25 MR. QURESHI: That's one of the changes. Absolutely

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1 right.

2 Another change, Your Honor, is that every creditor
3 constituency in the case that has taken a position on whether
4 to terminate exclusivity, with one exception in the subrogation
5 holders that I will come to, is in favor of terminating
6 exclusivity. The TCC, obviously the fiduciaries for what Your
7 Honor has referred to as the involuntary Creditors here -- and
8 you're going to here from Ms. Dumas -- the Official Creditor's
9 Committee, another estate fiduciary, is in favor of terminating
10 exclusivity, the debtor's largest union. The IBEW is in favor.

11 THE COURT: No, I know the list. I've got the list.

12 MR. QURESHI: Right. And so -- and the subrogation
13 holders, Your Honor, the only reason they're objecting, under
14 either plan they get an eleven-billion-dollar-allowed claim.
15 They don't like the form of consideration in our plan, but they
16 also signed an RSA in which the debtors preclude them from
17 negotiating with us. When those shackles are lifted, Your
18 Honor, we're confident that we can reach an agreement on the
19 form of consideration with the subrogation holders.

20 And so -- and the public entities, by the way, that
21 have the one-billion-dollar settlement with the debtors, that's
22 adopted in our plan as well.

23 THE COURT: No, I'm aware of that.

24 MR. QURESHI: Okay. Right. So the way that all
25 shakes out, Your Honor, is you have the equity owners, who

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1 control the board, and everybody else in the case. That's the
2 battle line. And everybody else in the case wants exclusivity
3 terminated. And the reason, Your Honor --

4 THE COURT: So -- okay. I know the reason. Of course
5 I know the reason. But what if the estimation comes in at a
6 number that the company believes it can finance? Then why
7 should -- why should we, in effect, you know, have a corporate
8 control battle when we really ought to be taking care of the
9 victims?

10 MR. QURESHI: So let's hypothesize a circumstance,
11 Your Honor, where claims come in at thirty billion dollars.

12 THE COURT: Um-hum.

13 MR. QURESHI: Your Honor has terminated exclusivity.
14 All right, we're -- our plan is there to satisfy the victims at
15 the twenty-five-and-a-half-billion-dollar level, in full, with
16 committed financing, no risk. And the debtor, in that
17 circumstance, tries to cobble together the financing to satisfy
18 a higher liability. So is it going to need new legislation so
19 that they can have ECBs or -- or --

20 THE COURT: Well, they've said not.

21 MR. QURESHI: They've said not. Are they going to be
22 able to cobble together that financing in a form that is
23 feasible? We think the answer to that question is no. But the
24 point today, Your Honor, in connection with terminating
25 exclusivity, is that we think it is not a sensible approach to

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1 put all of the stakeholders at risk when there is only one plan
2 that they will not be able to get there.

3 THE COURT: Okay. I think we're going to move to the
4 other counsel, and I'll come back to your reserve time later
5 because I've gone a little bit over, I think, by my count.

6 Is your count the same?

7 MR. QURESHI: A little bit, Your Honor.

8 Your Honor, if I can -- if I may, just one more thing.

9 THE COURT: Sure.

10 MR. QURESHI: As Your Honor knows, we did not have the
11 opportunity to file a reply.

12 THE COURT: I didn't have the ability to read another
13 reply.

14 MR. QURESHI: Understood. I just want to very briefly
15 hit three points that they raise --

16 THE COURT: Okay.

17 MR. QURESHI: -- in their objection that I don't think
18 are accurate.

19 The first is they say that the interest expense in the
20 creditor plan is somehow way more expensive for the company
21 than the equity plan. It's not right, Your Honor. When we
22 focus on the interest expense for this pass through to rate
23 payers, under the creditor plan, that annual number is 946
24 million dollars. Under the equity plan, it's somewhere between
25 954 million dollars and over 1.1 billion dollars, depending on

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1 the credit rating at issuance. So the interest expense that
2 gets passed through to rate payers is not more under the
3 creditor plan.

4 MR ORSINI: Your Honor, is Mr. Qureshi testifying now?

5 THE COURT: I thought he was arguing from the papers.
6 I don't know what he's doing. I don't know. I don't know what
7 he's doing. If he's arguing at the moment --

8 MR ORSINI: Well --

9 THE COURT: -- I'm not making findings.

10 Go ahead. Let's move forward.

11 MR. QURESHI: Your Honor, I'm responding to the
12 arguments that are made and the debtor's objection, and into
13 which we have not had the opportunity to respond.

14 The other is the financing fees that are in both
15 plans. Again, the allegation is made in the objections that
16 there are 670 million dollars in fees that the bond holders are
17 paying to themselves. But Your Honor, the fees in the debtor's
18 plan, which are disclosed in the term sheets -- in the
19 financing commitments that have been filed with the Court, are
20 more than 1.4 billion dollars. There's 772 million in -- I'm
21 sorry -- approximately seven hundred million in equity
22 financing fees, and on the debt under their plan, 772 million
23 dollars. And an important point on the debt, Your Honor, their
24 plan has a 34.4 billion dollars, it's a revolver -- I'm sorry,
25 not a revolver -- it's a bridge loan of one-year facility. So

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1 for a loan for one year, after which, in their plan, the
2 debtors will again face rate risk and all the other risks
3 attendant with getting new financing, they're going to have to
4 take out that facility, and a year later, incur a whole bunch
5 of fees a second time.

6 THE COURT: Do you agree that your plan has all the
7 other costs, though, like the make-well provisions and the
8 contract rate of interest that are extra costs on your side for
9 your plan? You concede that point?

10 MR. QURESHI: So I certainly concede, Your Honor --

11 THE COURT: Okay.

12 MR. QURESHI: -- that under our plan, there is debt
13 that is being reinstated. And when debt is reinstated, it, of
14 course, continues to carry the contract --

15 THE COURT: Right.

16 MR. QURESHI: -- rate of interest throughout.

17 THE COURT: Right.

18 MR. QURESHI: There's no question about that. With
19 respect to optional redemption premiums, Your Honor, under our
20 plan they are very minimal. I believe a total of approximately
21 eleven million dollars is payable in those sorts of premiums.
22 Again, because most of the notes are being reinstated, those
23 premiums are not triggered. So I do not view that, under our
24 plan, to be a significant issue, Your Honor.

25 And the last point that I wanted to make, that is

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1 raised in their objections that I think is simply incorrect, is
2 they suggest that our proposed treatment of employees and of
3 retirees renders our plan unconfirmable.

4 THE COURT: Well, they say it's a separate treatment
5 within the class, so I mean it's just -- right?

6 MR. QURESHI: And Your Honor, it's not. So what we --

7 THE COURT: And why is that?

8 MR. QURESHI: What we propose under our plan is there
9 is no difference in plan treatment between employees and
10 retirees that have equity, and any other equity holders. It's
11 identical. What we say in our term sheet, Your Honor, is that
12 the post-reorganization board of PG&E, after the effective date
13 of the plan, will modify the relevant employment agreements in
14 a manner that makes those employees whole.

15 THE COURT: But listen. If Mr. A is a retired
16 employee and Ms. B is a retired school teacher, but they both
17 have a certain amount of PG&E stock, under the plan that you're
18 pushing, Mr. A will do much better than Ms. B; do you agree?

19 MR. QURESHI: Not in the plan, Your Honor.

20 THE COURT: Well, as a result of being diluted under
21 the plan, right?

22 MR. QURESHI: The dilution under --

23 THE COURT: At the end of the day, the plain old
24 every-day shareholders are going to get virtually wiped out
25 under your plan; isn't that true?

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1 MR. QURESHI: Yes.

2 THE COURT: Okay. But the plain old every-day
3 shareholders who happen to be employed or retirees, aren't
4 going to be wiped out, are they?

5 MR. QURESHI: Under the plan they will be wiped out,
6 but --

7 THE COURT: Well, come on. Let's not be technical.
8 At the end of the day, the retired guy who worked for PG&E is
9 not going to have his stock wiped out. The retired school
10 teacher is going to have hers wiped out. And that's not
11 discrimination?

12 MR. QURESHI: We don't think it is, Your Honor.

13 THE COURT: Okay.

14 MR. QURESHI: For employees that are going to continue
15 to work for the company --

16 THE COURT: I said retiree, but let's move on.

17 MR. QURESHI: Okay.

18 THE COURT: You made the point clearly that these are
19 issues that you believe why I should break exclusivity and not
20 why I should confirm the plan. We're not here to confirm your
21 plan today.

22 MR. QURESHI: That is correct, Your Honor.

23 THE COURT: Okay.

24 MR. QURESHI: So --

25 THE COURT: Fair enough.

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1 MR. QURESHI: So to sum up, Your Honor, the
2 fundamental issue here is that there is a tremendous amount of
3 risk, and Ms. Dumas will get into it more --

4 THE COURT: Okay.

5 MR. QURESHI: -- that claims are going to come in
6 very, very high, and there should be an alternative, given the
7 June 30th deadline. And the only way, Your Honor, that there
8 is an alternative that can protect all of the creditors who are
9 in favor of terminating exclusivity, is if exclusivity is
10 terminated now in order that the creditor plan can start to go
11 through the CPUC process, which the CPUC has agreed they can
12 handle multiple plans, so that we have an alternative to
13 protect everybody in these estates in that eventuality.

14 THE COURT: Got it. Thank you.

15 MR. QURESHI: Okay. Thank you, Your Honor.

16 THE COURT: Okay. So Ms. Dumas, Mr. Qureshi said you
17 were going to have about -- you wanted about eight minutes, so
18 I'll afford you that if that's what you'd like.

19 MS. DUMAS: Thank you, Your Honor.

20 THE COURT: Good morning.

21 MS. DUMAS: I would like to reserve -- Cecily Dumas,
22 Baker Hostetler, on behalf of the Official Committee of Tort
23 Claimants.

24 I'd like to reserve a minute and a half, and I hope my
25 eight minutes is actually eight minutes, since Mr. Qureshi's

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1 ten minutes was not ten minutes, it was a lot longer.

2 THE COURT: This isn't jeopardy. I'm just doing my
3 best on the timing here. Go ahead.

4 MS. DUMAS: Thank you, sir.

5 I want to first clarify a point -- I'm sorry I was
6 about to cough.

7 THE COURT: You want a cough drop?

8 MS. DUMAS: No. That's probably better.

9 Let me just clarify something that I don't think we
10 realized until we read the briefs over the weekend, and saw
11 argument related to overpayment in the fox guarding the
12 henhouse and the like, which is something that, honestly, never
13 occurred to us. So let me make clear right now, that under no
14 circumstances do the tort claimants intend to seek payment
15 that's in excess of what's allowable under the law, that is
16 what is estimated by Judge Donato. So what the term sheet
17 needs to be corrected to clarify that, we will do so.

18 THE COURT: But now how does that work?

19 MS. DUMAS: So if --

20 THE COURT: If Judge Donato decrees that the --

21 MS. DUMAS: Yes.

22 THE COURT: -- victim's claim is eighteen million --
23 billion -- excuse me -- billion, what do we do with that
24 fourteen and a half in the plan?

25 MS. DUMAS: So let me run through the numbers like I

PG&E Corp., Pacific Gas and Electric Co.

1 run through the numbers. They get a bit mucky, but they've got
2 an 18.9 billion cap on wildfire claims in the debtor's plan.

3 THE COURT: Well, it's easier for you if we -- do the
4 same thing I did with Mr. Qureshi, take that eleven billion for
5 sub realism --

6 MS. DUMAS: Yeah, yeah.

7 THE COURT: -- put it aside, and let's just talk
8 about --

9 MS. DUMAS: So let's take that aside so we've got --

10 THE COURT: So it's 8.4 on theirs and eleven --

11 MS. DUMAS: But there's not.

12 THE COURT: Okay.

13 MS. DUMAS: That's why it's kind of tricky.

14 THE COURT: Okay, go ahead.

15 MS. DUMAS: The 18.9 cap, or you take away a billion
16 in PE, and eleven billion in sub row, and those are two buckets
17 of cash due on the effective date. That's a whopping amount of
18 money. So that leaves 6.9 billion left of the eighteen billion
19 cap, right? 6.9 billion, so there's a little bit of
20 discrepancy between eight-four and six-nine but the 6.9 billion
21 cap, under Section 1.220, Definition of a Plan, applies to the
22 victims, FEMA, CAL FIRE, PUC Funds, and I guess any other
23 unaccounted for public entities, what we'll find out before the
24 bar date. So let me make clear that as Mr. Qureshi said, even
25 though CAL FIRE and the United States don't want to be

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1 estimated, they are under the debtor's plan included within
2 this cap. So we've got 6.9 --

3 THE COURT: So if they're not estimated, but in fact,
4 they're --

5 MS. DUMAS: They're still in this cap.

6 THE COURT: If they're liquidated --

7 MS. DUMAS: Yeah.

8 THE COURT: -- your point is that that eats into the
9 whether it's 6.9 or 8.4 --

10 MS. DUMAS: Exactly. Yeah.

11 THE COURT: -- and for the moment it eats into it.

12 MS. DUMAS: That's right. So I mean, Mr. Troy is here
13 in the courtroom. He can tell you, but just say hypothetically
14 that FEMA's claim is three billion dollars. Even if it's a
15 liquidated claim -- even if they establish to Your Honor that
16 it's a liquidated claim, that's just three billion that goes
17 into the 6.9 billion dollar bucket, so --

18 THE COURT: Okay. For today --

19 MS. DUMAS: -- and CAL FIRE, but it's just
20 illustrative of the point.

21 THE COURT: -- for our purposes, it doesn't matter
22 what the amount is. Your point is that --

23 MS. DUMAS: My point --

24 THE COURT: -- liquidated claims to those governmental
25 agencies comes out of the 6.9.

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1 MS. DUMAS: Yes. Exactly right.

2 THE COURT: Okay.

3 MR. QURESHI: Exactly right. So when we were thinking
4 about how to address supporting a plan, the TCC, we were
5 perhaps naive, because in our minds, there actually is truly
6 discounting under the bond holder plan at -- so the bond holder
7 plan leaves 13.5 -- the difference is 6.9 billion to 13.5
8 billion. Under the bond holder plan, 13.5 billion is the cap
9 for the same categories: Victims, CAL FIRE penalties, FEMA --
10 I'm sorry -- CPUC penalties, FEMA. So we think -- we don't
11 know because the claims bar date hasn't happened yet, but we
12 think those claims, in and of themselves, may aggregate
13 possibly five, six billion dollars. So if my assumption is
14 correct, and again, we're all operating with imperfect
15 information, but if that assumption is correct, then that's
16 leaving, six billion or six and a half billion for victim
17 claims under the bond holder cap.

18 So we thought that under any circumstance we were
19 taking a discount to what we can prove. If we're wrong, if
20 after all this time, and Tubbs, and estimation that Mr.
21 Orsini's right and we've been completely wrong, we'll cap that
22 and we can make that clear in the term sheet. We're not, under
23 any circumstances, were the victims trying to take more than
24 they're entitled to under what the Court determines.

25 THE COURT: Well, but aren't you saying -- but

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1 you're --

2 MS. DUMAS: We'll amend the term sheet, Your Honor.
3 We haven't considered -- so again, this is just whether you run
4 one plan or two plans. So I'm not saying whether the debtor's
5 plan is confirmable right now, I'm saying we need to clarify
6 for the record that the victims are not going to hold this
7 Court and all the other parties to a thirteen-and-a-half
8 billion dollar settlement amount if Judge Donato says, and Your
9 Honor says, the aggregate of victims, FEMA, CAL FIRE, CPUC, and
10 other governmental entities is less than 13.5 billion.

11 THE COURT: But what if it's more?

12 MS. DUMAS: We've agreed to the cap. That's the
13 point.

14 THE COURT: You're locked into the cap?

15 MS. DUMAS: We're locked into the cap.

16 THE COURT: What if he says it's twenty billion?

17 MS. DUMAS: We're locked into the cap.

18 THE COURT: Thirty billion?

19 MS. DUMAS: We're locked into the cap.

20 THE COURT: Well, how is that a good deal?

21 MS. DUMAS: It's a good deal because we need to get
22 this company out of bankruptcy by next June. Maybe it's a good
23 deal because AB 1054 -- and this is a point I've been making to
24 Your Honor a number of times -- we believe that these tort
25 claims, these wildfire related claims will end up being more

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1 than what's left after you pay all contract claims.

2 THE COURT: I know. You've said that before.

3 MS. DUMAS: So -- yeah.

4 THE COURT: And you've said again.

5 MS. DUMAS: So --

6 THE COURT: But then that was before you are now lined
7 up with the plan that you're now explaining.

8 MS. DUMAS: Yes. Well, Your Honor, that's the maximum
9 this debtor can pay unless we go into an insolvency situation,
10 which we don't want to cross that Rubicon.

11 THE COURT: Well, what --

12 MS. DUMAS: So we're saying if everybody else gets
13 paid, we are willing to accept the 13.5 billion cap on all
14 these wildfire related liabilities.

15 THE COURT: So does that fix the cap for PG&E's plan?
16 I mean, do they just say, fine, we'll do this and we'll match
17 you? I mean, is that --

18 MS. DUMAS: So -- that'd be super. Yeah. That'd be
19 great.

20 THE COURT: Well, okay, but I want to understand. So
21 then if that happened, and Mr. Karotkin stood up and said we'll
22 take the thirteen-and-a-half, there's no need to have any
23 estimation. We've got a -- it's a done deal, right?

24 MS. DUMAS: Yes. If Mr. Karotkin said we'll match the
25 thirteen-and-a-half, it wouldn't resolve all of our problems

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1 today --

2 THE COURT: I know.

3 MS. DUMAS: -- with regard to exclusivity, but yes.

4 For purposes of --

5 THE COURT: Yeah.

6 MS. DUMAS: -- your question, absolutely right.

7 THE COURT: But if you're committing the committee, at
8 least, you're not committing every single victim because a
9 particular victim might argue that in the best interest test,
10 would defeat the plan --

11 MS. DUMAS: Well, that's true, Your Honor.

12 THE COURT: Okay.

13 MS. DUMAS: And when we get to voting --

14 THE COURT: All right.

15 MS. DUMAS: I mean, we do have seventy some law
16 firms --

17 THE COURT: But let's not worry -- let's not worry
18 about that.

19 MS. DUMAS: -- in the executive committee but yeah.
20 Yeah, yeah, yeah.

21 THE COURT: I mean it seems to me that what you're
22 saying is that right now, there's a low number of 8.4 and a
23 high number of 13.5.

24 MS. DUMAS: Exactly right.

25 THE COURT: Okay.

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1 MS. DUMAS: And for other reasons, my only other point
2 is for other reasons, unrelated to that difference, that's a
3 big difference --

4 THE COURT: Uh-huh.

5 MS. DUMAS: -- and I've said before that we think --
6 and we could be wrong, but we think that the debtors and it's
7 equity security holders are incented to sort of back into that
8 number. But that's a swing, but for other reasons, we're
9 supporting the bond holder plan.

10 THE COURT: Well, I understand your reasons, and there
11 are different opinions expressed very --

12 MS. DUMAS: Well --

13 THE COURT: -- sparsely in the papers as to what
14 motivates people. I'm not dealing with that now. I'm --

15 MS. DUMAS: But they are important.

16 THE COURT: I know they are important. But I'm trying
17 to decide whether to listen to the pleas that you and everybody
18 else have lined up and is against my prior decision, and the
19 debtor. By even letting that other plan in -- because to be
20 blunt about it, my fear is -- and I tried to express it
21 before -- is having the competing plan turns what was designed
22 to protect the victims into a battle over corporate control
23 between two people -- two different money interests --

24 MS. DUMAS: Yeah.

25 THE COURT: -- and has nothing to do with paying

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1 victims.

2 MS. DUMAS: Yeah. No, you made that point before --

3 THE COURT: You know?

4 MS. DUMAS: -- and I think I was at the podium when
5 you made it.

6 THE COURT: And why is that wrong?

7 MS. DUMAS: Well, it's not wrong.

8 THE COURT: Why do you want to be sitting there
9 waiting to get your victim's paid, watching a corporate battle
10 that has nothing to do with paying the victims?

11 MS. DUMAS: Unfortunately, because of the ability to
12 access resources, financially, the debtors are in a less
13 advantageous position than the bond holder plan presents. The
14 debtor's plan has to thread a number of needles just right.
15 Their plan is premised on a cap on wildfire obligations, their
16 plan is premised on a sort of best --

17 THE COURT: But that -- excuse me, but excuse me. But
18 that means their plan is DOA if the district judge upstairs
19 fixes the number that kills their plan.

20 MS. DUMAS: Yeah, and --

21 THE COURT: But Mr. Qureshi said what'll happen if
22 their numbers change, why wouldn't PG&E's numbers change?

23 MS. DUMAS: Well --

24 THE COURT: If the district judge puts a number that
25 is bigger --

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1 MS. DUMAS: Sure.

2 THE COURT: -- than they expect.

3 MS. DUMAS: And again, I'd like to get away from --
4 yes, just the swing in the number. Okay, that's material, and
5 Judge Donato is going to tell us where he comes out on that.

6 But there are other aspects of the debtor's plan that
7 make it a more financially risky plan. So there's risks
8 associated with the debtor's plan that are made easier by the
9 bond holder plan, frankly, because they have more resources to
10 throw at it.

11 THE COURT: Okay.

12 MS. DUMAS: So the risk of not allowing a second plan
13 to run parallel is that we get to February and Judge Donato
14 says my number is a high number. Because I don't think the
15 debtors have -- again, this is me, and there's nonpublic
16 information that we're taking into account and decision making.

17 So speaking to Your Honor, we don't believe that
18 there's much more gas left in the debtor's tank. In terms of
19 ability, they've got -- right now, they've got twelve billion
20 in wildfire obligations payable in cash on the effective date,
21 plus other obligations they need to finance. They have made
22 certain assumptions about the CPUCs pass-through of certain
23 costs that may or may not prove to be accurate.

24 And just one asterisk on that: we think, just
25 objectively, we think it's unlikely that Camp Fire costs will

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1 be allowed to passed through just because of the factual
2 circumstances surrounding the hundred-year-old tower and the
3 broken sea hook. We think just using that fire as an example,
4 is a higher possibility that the utility will have been found
5 to be negligent, therefore, kind of eliminating the ability to
6 pass those costs through to rate payers.

7 THE COURT: I need to stop here, just so you can
8 reserve and --

9 MS. DUMAS: Yeah, yeah, yeah.

10 THE COURT: -- Haysfirm wants to be heard so --

11 MS. DUMAS: One more point?

12 THE COURT: Yes.

13 MS. DUMAS: Rate neutral, we have evaluated both plans
14 under AB 1054's regimen, and we believe that the bond holder
15 plan is more likely than the debtor plan to comply with AB
16 1054. And we may be wrong on that. And as you said, facts may
17 develop, but we don't have the time like a typical bankruptcy
18 case, to find out next spring if we're right or we're wrong.
19 This case is the -- one of the few unique cases where we do
20 need to have a second plan by a well-funded plan proponent out
21 there.

22 THE COURT: Okay.

23 MS. DUMAS: Thank you.

24 THE COURT: You can reserve a couple minutes for that.

25 Mr. Marshack, good morning.

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1 MR. MARSHACK: Good morning, Your Honor. Your Honor,
2 just a suggestion -- if we're running out of time, and as you
3 and I have both agreed upon in the past, Judge Donato's pretty
4 quick, if you would like to bring us all back this afternoon?

5 THE COURT: No.

6 MR. MARSHACK: Okay.

7 THE COURT: I don't.

8 MR. MARSHACK: We'll make it happen. PG&E says in
9 their pleadings that they are ready, willing, and able to
10 fairly and fully compensate wildfire victims for their losses.
11 They say the amount is 8.4 billion dollars and -- but they are
12 capping it at 8.4 billion. They will pay us in full, but they
13 will give us a cap.

14 THE COURT: Well, that's the plan that's on the table.

15 MR. MARSHACK: That's the plan. But their words --

16 THE COURT: But Mr. Marshack, if Judge Donato hits
17 them with a larger number, they have two choices, right: fold
18 their tent or put the -- plug in the number. And from what Ms.
19 Dumas says, the top of that number is thirteen and a half.

20 MR. MARSHACK: You say that, but the TCC's numbers and
21 their financial advisors say they don't have any, to quote Ms.
22 Dumas, gas in the tank.

23 THE COURT: Okay.

24 MR. MARSHACK: That's one. And two, if they had more
25 money, why aren't they putting it up? A lot of this, Your

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1 Honor, is just pure credibility. Hate to be the one that
2 really brings this to light, but once upon a time, they said
3 that subro was only owed 8.5 billion dollars, but now they say
4 it's 11 billion.

5 THE COURT: But what did subro say they were owed,
6 once upon a time, twenty billion, right?

7 MR. MARSHACK: Right.

8 THE COURT: Well, wasn't there a compromise from both
9 sides? Both sides, both camps here compromised, essentially,
10 the subro figure.

11 MR. MARSHACK: Correct.

12 THE COURT: That's a constant; that's for both plans.

13 MR. MARSHACK: Correct. But did the debtor give up
14 all the last -- did they give up the last money they had? To
15 make the subro agreement, to get them to vote for their plan,
16 did they give up a last money they had to do so?

17 And my point is this, Your Honor: They say, once upon
18 a time, that we were only owed 8.43 billion dollars, and that's
19 what they say today. We are going to be owed more money.

20 THE COURT: Mr. Marshack, you might recall Mr. Orsini
21 has said more than once that they haven't even, in some
22 respects, haven't even admitted to that, because there had been
23 no determination. But they obviously can't back out of a plan
24 they've proposed, and the briefing that cites them in their
25 public filings, they say what they say, but --

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1 MR. MARSHACK: That's correct, Your Honor. But if you
2 believe that the debtor puts in their plan, and you believe Mr.
3 Orsini, that the cap is 8.4 billion dollars, then you have to
4 believe they don't have any more money and you have to believe
5 they're not going to put any more money up.

6 THE COURT: I have to believe that the first plan a
7 party puts on the table is its final number? That's not the
8 way I've learned how negotiation goes, and I'm sure you don't
9 negotiate that way. But leave it aside.

10 MR. MARSHACK: Why are they --

11 THE COURT: Let's stick with what your point is.

12 MR. MARSHACK: Okay. But then why does --

13 THE COURT: The issue today is whether I allow a
14 competing plan --

15 MR. MARSHACK: You're right.

16 THE COURT: -- and so let's stick with that.

17 MR. MARSHACK: But why are they negotiating? TCC has
18 put up a terrific plan. TCC is a plan that the wildfire
19 victims will vote in favor of, and there's a couple things that
20 come with that.

21 THE COURT: But why do want me to open up to other
22 plans, then, under those circumstances? I mean, you've made
23 that pitch all along, and I'm wondering why. How is that
24 constructive?

25 MR. MARSHACK: Wildfire victims will support TCC.

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1 THE COURT: I got it.

2 MR. MARSHACK: But if somebody wants to show up
3 tomorrow and offer twenty billion dollars and give us even more
4 of a cushion for our claims, in case our claims are a little --
5 are higher, then we greet them with open arms. But right now,
6 we are very pleased with the TCC plan.

7 THE COURT: Okay.

8 MR. MARSHACK: So Your Honor, the debtor's trying to
9 oppose a second plan. What would be the best way? The best
10 way to oppose it would be to say, we're paying everybody in
11 full. What's the best way to prove you're paying everybody in
12 full? Per -- in their opposition to the motion to allow a
13 second plan, why didn't they put evidence before this Court?
14 This is the way we do business in the bankruptcy court in
15 California. We have declarations. We prove facts through
16 declarations.

17 Why didn't the debtor put before Your Honor
18 declarations of financial advisors that say, I have worked on
19 this case for 7,000 hours; this is the model; this is the
20 matrix; and claims can't exceed 8.4 billion dollars? If they
21 did that, that would be persuasive. That would be, hey, the
22 debtor is proposing a plan that will pay everybody in full.
23 They chose not to.

24 So the consequences of their inability or their
25 failure to give this Court evidence of the cap on the debt is,

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1 if TCC's offering 14.5 billion dollars, let that plan go
2 forward and let's see who wins, and let's make sure that the
3 wildfire victims are protected.

4 THE COURT: Okay.

5 MR. MARSHACK: Let me make a point.

6 THE COURT: Yeah.

7 MR. MARSHACK: One final point.

8 THE COURT: Okay.

9 MR. MARSHACK: If PG&E's counsel says to me the best
10 turkey sandwich you're going to get in this city is across the
11 street and they're wrong, I'm out one meal. If PG&E says 8.4
12 billion dollars is enough to pay creditors in full and they're
13 wrong, lives can't be rebuilt. Lives can't be -- and there's a
14 second problem with that. If they're wrong, we've lost all the
15 opportunity to take the benefits of AB 1054. If you allow TCC
16 to go on a parallel track with the debtor, then you're upping
17 the odds that we will be able to access all the money and all
18 the benefits of AB 1054.

19 THE COURT: Mr. Marshack, what's going to happen if I
20 let the bond holders' plan in and then we end up bogged down
21 with a valuation fight and a fight over issues that your
22 clients and Ms. Dumas's clients don't care about, don't need to
23 get involved with; that is, confirmation issues, cram down
24 issues, absolute priority issues? I've said it before: Do the
25 victims want to get bogged down on that kind of a battle?

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1 If you can persuade me that I should say, that's fine.
2 Everybody ought to watch that, or watch while they -- these two
3 giant people, giant groups -- the entrenched equity and the
4 outside equity, two equity wannabes -- while they have this
5 huge fight, it's not going to -- tell me how it's going to move
6 the ball forward to get the victims paid.

7 MR. MARSHACK: Judge, my --

8 THE COURT: And I understand. I understand the point
9 that Mr. Qureshi made about letting another plan in keeps them
10 in track so that CPUC and AB 1054 can be honored. But how does
11 this corporate control fight help your client? Just tell me
12 that.

13 MR. MARSHACK: I will.

14 THE COURT: Okay.

15 MR. MARSHACK: Why? I'm a victim. I'm a wildfire
16 victim.

17 THE COURT: Okay.

18 MR. MARSHACK: I've lost my house. Why do I care who
19 owns PG&E at the end of the day?

20 THE COURT: You don't. I agree, you don't.

21 MR. MARSHACK: I don't care.

22 THE COURT: But when does -- do you want to wait while
23 we find that out, while we have the valuation fight?

24 MR. MARSHACK: Yes.

25 THE COURT: Okay.

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1 MR. MARSHACK: If it gets me five billion more
2 dollars --

3 THE COURT: Okay.

4 MR. MARSHACK: -- I will wait.

5 THE COURT: Fair enough. Got it.

6 MR. MARSHACK: And Your Honor, one more point.

7 THE COURT: Okay.

8 MR. MARSHACK: I'm going to make this real quick. I
9 don't know that the law allows for this -- going out on a limb
10 here -- but does this Court -- if you're going to not grant
11 TCC's motion, is there flexibility to conditionally terminate
12 exclusivity to allow two plans? If the debtor's going to pay
13 all creditors and the wildfire victims in full, then TCC's plan
14 doesn't get voted on. I don't know how --

15 THE COURT: I don't know what you mean.

16 MR. MARSHACK: I don't know how we do that; I have to
17 give that some thought.

18 THE COURT: Well, you convince the gentleman to your
19 left to up the plan up to Ms. Dumas's figure.

20 MR. MARSHACK: We will do so.

21 THE COURT: And Mr. Marshack --

22 MR. MARSHACK: We will try to do so.

23 THE COURT: -- more specifically.

24 MR. MARSHACK: Yeah.

25 THE COURT: More specifically, you have been very much

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1 an advocate for your client's cause, and I compliment you for
2 that. But those lawyers to your left also know what AB 1054
3 says. And AB 1054 says this Court has to, in order to confirm
4 a plan -- I mean, I'm summarizing because the State legislature
5 presumably can't tell the Bankruptcy Court what to do, but in
6 fact, the State legislature can say what PG&E has to do to
7 survive and go forward as an IOU in this state. And it has to
8 do what AB 1054 says: pay them in full, or get them to agree,
9 or have a court make a valuation. That's why I asked the
10 matter to go to Judge Donato; that's what his job will be if it
11 goes there. And if he picks a number, whether it's lower than
12 you would have or higher than PG&E would have, that's the
13 number that they're stuck with, and frankly, so are the other
14 side stuck with, leaving aside what we've heard. And that's
15 the way it is.

16 So their 8.4 will vaporize if Judge Donato has a
17 higher number. And you know what? If he hits a lower number,
18 you might see a lower number, too.

19 MR. MARSHACK: But two responses to that -- one, if it
20 vaporizes -- if their plan vaporizes, the victims, the wildfire
21 victims are the losers when we could have been the winners.
22 That's one.

23 Two, Your Honor --

24 THE COURT: So do you think -- do you know -- and I'm
25 not going to let you off. Suppose Judge Donato makes a finding

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1 based upon the estimates, and let's, for simplicity's sake,
2 let's converge Tubbs and the District Court estimation and say
3 at the end of the day there's a figure of -- let's just pick a
4 number -- ten billion dollars. PG&E would satisfy, I believe,
5 AB 1054 with ten billion. How could I confirm a plan that the
6 bondholders want me to do by giving them more? I couldn't do
7 that, as matter of bankruptcy law, could I? Because it would
8 overpay the class, to the detriment of the junior class, right?

9 MR. MARSHACK: Agreed. That's why you're going to
10 have two plans in front of you. And when that particular fact
11 scenario exists, you've got clarity on what you would do.

12 But let me give you another fact scenario real quick.
13 This Court granted an order to estimate claims. We took the
14 position, the TCC/SLF (phonetic) group, took the position that
15 that violates the due process clause of the U.S. Constitution
16 because to figure out liability of twenty -- causation of
17 twenty-two fires and the amount of claims of 40,000 victims is
18 doable in a year, two years, three years --

19 THE COURT: No, I know; you said that before.

20 MR. MARSHACK: But Your Honor, if your order
21 estimating claims gets reversed and we --

22 THE COURT: Well, which order of mine are you talking
23 about?

24 MR. MARSHACK: The one that you authorized us to go to
25 Judge Donato to have the claims estimated.

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1 THE COURT: Okay. Well, that's hardly a final order.

2 MR. MARSHACK: Right.

3 THE COURT: You can take that up with Judge Donato.

4 MR. MARSHACK: Right. But no, no, but you granted a
5 motion to estimate claims.

6 If that is reversed, given the time --

7 THE COURT: Mr. Marshack, you got the story wrong. I
8 made a statement in this courtroom that, if the major players
9 consented, I could do that estimation here. There was not in
10 anonymity. I simply recommended --

11 MR. MARSHACK: No, no, no.

12 THE COURT: -- the District Court refer -- have an
13 Article III judge take over, and that's why he did.

14 MR. MARSHACK: Sorry, you're missing my point. You
15 granted the motion to estimate -- to authorize the debtor to
16 estimate claims, and then we worried -- then we tried to figure
17 out which courtroom. But you did grant a motion to estimate
18 claims over our objections. And our objection was that it
19 violates due process of the U.S. Constitution to do it in four
20 months.

21 My point, Your Honor, is this: If a court finds that
22 granting the motion to estimate claims was improper, given we
23 only had four or five months to estimate those claims, then we
24 have nothing. If they grant TCC's right to file a plan, we
25 have a confirmable plan that can get creditors and wildfire

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1 victims paid in full.

2 So this hedges our bets. This makes sure that, if
3 that order to estimate claims is reversed, that we still have a
4 backup where wildfire victims will get paid in full.

5 THE COURT: Okay. I understand your point. Thank
6 you.

7 MR. MARSHACK: Thank you.

8 THE COURT: All right. We're going to hear from the
9 Official Creditors' Committee.

10 Mr. Bray? Or Mr. Dunne's here today, with us, so --

11 So Mr. Dunne, one second. I'm going to hear from you
12 and then I'm going to hear from the other attorneys I want to
13 hear from, the IBU (sic) and so on, and then I'm going to take
14 about a ten- or fifteen-minute convenience break for everybody.
15 Then we'll resume, and I'll hear the debtors' arguments and the
16 rebuttal arguments, and then we'll be done. Okay?

17 MR. DUNNE: Thanks, Your Honor. For the record,
18 Dennis Dunne from Milbank LLP, on behalf of the Official
19 Committee of Unsecured Creditors. I just want to take a step
20 back, and then we're going to get into the points Your Honor
21 has been raising with each of my predecessors at the podium.

22 From the creditors' committee's perspective, our
23 constituency is going to get paid in full in either plan. We
24 can debate what payment in full is, and Your Honor will decide
25 what payment in full is, but that's the goal of each of the

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1 plans.

2 THE COURT: Right.

3 MR. DUNNE: And we haven't yet decided which plan to
4 throw our kind of full-throated support behind, but yet we're
5 standing in front of Your Honor saying, let's have two of them.
6 And I want to explain why we're taking that position. And it's
7 basically for some of the reasons Your Honor had said.

8 There are so many variables. There are so many
9 outcomes that are unpredictable standing here today, that the
10 question is, how do we protect ourselves against that suite of
11 uncertainties. And let's just drill down on that for a second
12 because Your Honor, I think, is putting the outcomes in a
13 number of buckets, which is correct.

14 Let's assume you have two competing plans, Your Honor,
15 and there's a chance that estimation comes out and the debtors
16 are correct with their number. That's easy. You're going to
17 confirm their plan. We're done. Because you can't confirm the
18 other one because you'd be overpaying, as you've said, at that
19 level.

20 THE COURT: Well, you agree with that, don't you?

21 MR. DUNNE: Yes.

22 THE COURT: Yeah.

23 MR. DUNNE: So then the question is, let's assume it
24 lands slightly north of the debtor and equity's plan number,
25 below the bondholder/TCC number in the estimation. Two things

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1 happen then. One is, either they, the debtor and the equity,
2 step up and pay that amount or they don't. And Your Honor has
3 mentioned several times, they may fold. That's what we care
4 about. We don't want to be in a position where we find out,
5 like everybody thinks it is economically rational that they
6 have a lower inflection point because they own the equity than
7 the bondholders do, in terms of their point of indifference and
8 when they walk away. Whatever that is, we don't know today,
9 right?

10 THE COURT: Well, who's -- the "they" meaning whom,
11 the equity holder?

12 MR. DUNNE: The equity, yep.

13 THE COURT: The shareholders.

14 MR. DUNNE: The shareholders.

15 THE COURT: The people like Mr. Bennett's clients.

16 MR. DUNNE: Mr. Bennett's clients.

17 THE COURT: I mean, the corporate officers have a job
18 to do to --

19 MR. DUNNE: And I'll come back to the corporate
20 governance.

21 THE COURT: Okay.

22 MR. DUNNE: I'm not focused on the corporate
23 governance.

24 THE COURT: Okay.

25 MR. DUNNE: I actually don't care who wins that fight,

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1 Your Honor. I'm trying to focus on getting victims paid and
2 getting my clients paid and not missing the June 30th deadline.

3 THE COURT: Okay.

4 MR. DUNNE: Let's assume that the estimation lands
5 above the equity and the debtor plan number and below the TCC
6 bondholder plan number and they fold. Your Honor's saying,
7 well, we can't do the bondholder/TCC plan because we'd be
8 overpaying them. What I'm saying is, we need a plan that's
9 alive, i.e., it's marched down the confirmation path. Because
10 if equity checks out, if they tap out at that point, I want the
11 bondholders and the TCC to say, you know what, legally I can't
12 get paid more than in full, but I want to get paid in full and
13 I need somebody to fund that plan today. And to get that done
14 by June 30th, we need to have that committed amount of capital
15 alive and being capable of being funded when that moment comes.

16 Now, Your Honor's right; maybe it won't come. Maybe
17 it doesn't happen. But it might. And for me, the question
18 isn't today whether Mr. Bennett and Mr. Karotkin are right on
19 everything they say. It's what happens if they're wrong. What
20 happens if they're wrong and we don't have the ability or the
21 time to run things consecutively? We have to run them
22 concurrently.

23 Another change, Your Honor, that we've had is the
24 CPUC. In the OII that they filed, I think it's in pages 5 to
25 9, they clearly contemplate competing plans.

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1 THE COURT: Yes, I saw that.

2 MR. DUNNE: Yep. And but what that means, it's right
3 before they go through the timeline for their review and
4 consideration of the plan. Why wouldn't we --

5 THE COURT: Well, I mean, they were just being
6 realistic because it's a possibility, obviously, that probably
7 they and others probably predicted it a few weeks ago and I
8 fooled them. Not that I did it as intentional. The result was
9 a surprise. But here we are again. Okay.

10 MR. DUNNE: So now that we're standing here today with
11 that knowledge, why would we not avail ourselves of lining up a
12 competing plan? Even if in Your Honor's mind you're viewing it
13 as a fallback plan, why wouldn't we line that up, lift
14 exclusivity, let it go to the CPUC, because we know that
15 timeline works in the OII?

16 What we don't know is, if the equity plan falls down
17 in December, January, or February, we go back to Mr. Kornberg's
18 client and says, can you get this done by the June 30th
19 deadline. That's what I'm trying to avoid, Your Honor. And
20 I'm hoping it resonates with you because I think it's a
21 collective problem that we're trying to solve for because
22 failure of the June 30th deadline really shouldn't be an
23 option. I know I'm now channeling Ed Harris with the
24 subjunctive, no less, but it's the real issue.

25 And there are a number of -- I'm going to use my last

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1 minutes to say, what I think we should not do today -- or two
2 things -- is to get into the corporate governance battle,
3 because I think it is about paying creditors, both my
4 constituents --

5 THE COURT: Um-hum.

6 MR. DUNNE: -- and the torts in full. The corporate
7 governance issue I think is really going to fall into place
8 based on where the estimation comes in.

9 THE COURT: Right, right.

10 MR. DUNNE: I could answer your question before about
11 plan valuation and feasibility, and I can answer two ways.
12 That's going to come up whether you have one plan or two plans.
13 And the other one is -- and it's going to be decided based on
14 everything we just talked about, where the estimation number
15 falls.

16 THE COURT: That's right. Right.

17 MR. DUNNE: Because if it falls at a level they can
18 fund, then we know that that's going to be that horse that gets
19 rode off to the exit, and if it doesn't, then we have somebody
20 else that can deal with it. And the corporate governance will
21 ride along with that. It's not going to be anything you have
22 to deal with.

23 Said another way, let's assume you only do one plan,
24 it fails, and we have to then go to the bondholder/TCC plan.
25 Well, the corporate governance -- we know what that's going to

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1 look like once that estimation number is set.

2 I'd say two other pieces before I say my concluding
3 remarks, Your Honor.

4 I also think lifting exclusivity conduces a global
5 settlement, meaning what we'd all like to -- or what I'd like
6 to be in --

7 THE COURT: No, I know. Yeah, I know that. I mean,
8 that's a given. I know that.

9 MR. DUNNE: And shouldn't we want to actually --

10 THE COURT: But you can say it again. I'm not trying
11 to --

12 MR. DUNNE: Right. No, just that if we lift
13 exclusivity on two plans, we can send those two plans to
14 mediation. We can try to get one plan that the debtor supports
15 and has the bondholder/TCC support to it as well, and then we
16 can moot estimation and be on a glide path to confirmation.
17 That's ultimately where we'd like to be. We submit that that
18 requires terminating exclusivity, Your Honor.

19 The last couple points -- because you're going to hear
20 a lot about the infirmities in the plan. I think that those
21 discussions are misplaced, so -- but we haven't picked a horse
22 yet. And I can talk about issues on both of the plans, but I
23 think for purposes of today, they're both viable for purposes
24 of lifting exclusivity. They're subject to challenges and may
25 or may not be confirmable at the end of the day, but what's

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1 been helpful is to see the two different structures, the
2 funding limits, and the supporters. And there are issues on
3 the debtors' side, with respect to their bridge financing.
4 Loans that become due within a year after emergence -- how is
5 that feasible? You have the arguments about the reinstatement
6 of the secured debt on the other side.

7 But what I view those is, yeah, that's noise, but that
8 doesn't signal that one of these plans doesn't get ventilated
9 through the usual process. What it means is that we're going
10 to have the usual rhythms of objections, negotiations, rulings,
11 and inevitable plan amendments. And it will occur in this
12 case, too, and it would occur with respect to both plans. All
13 I'm saying at the end of the day, Your Honor, is we need both
14 plans to go forward to maximize the chance that when they fold,
15 there's somebody there that's going to write the check and get
16 this done. Because we all want this done by June 30th. And we
17 submit that any other plan, any other path, is too risky.

18 Your Honor, on the PPI make whole issue that you're
19 going to hear, I view that as a red herring for today. Your
20 Honor has teed it up in advance.

21 THE COURT: Oh, yeah. I wasn't going to hear it
22 today. I mean, I just wanted to get the schedule.

23 MR. DUNNE: Or that it militates in favor of don't
24 lift exclusivity because they're -- they actually have a plan
25 that pays at a contract rate; we have it at FJR. We're going

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1 to find out the answer to that in a few weeks and one plan or
2 the other will have to be amended accordingly.

3 And the same with the secured debt on both sides,
4 where that's something that we're going to have to run out, in
5 terms feasibility, the CPUC review. I'd echo, again, that we
6 should get the CPUC two plans so that we know what their views
7 are, with respect to the bondholder level of debt and the way
8 that they're financing it.

9 And I'll conclude by saying there has been a lot of
10 change, Your Honor, since your prior ruling. We have the TCC
11 now not just with a settled number, but a plan proponent. And
12 when Your Honor asks well, what about corporate governance?
13 The TCC's the fiduciary for the victims, they put that in the
14 mix, that I'm actually concerned about equity falling down more
15 so than a corporate governance fight. And they balanced that
16 and said, I'm still going to be a plan proponent and try to do
17 the settlement because it maximizes our path forward.

18 The CPUC is allowing and contemplating, at least,
19 competing plans. We have the ratepayers, both in the form of
20 TURN and the public advocate's office for the CPUC, that have
21 looked at the amount of debt on the bondholder/TCC plan and the
22 form of it and the amount of it, and recognizing that that cost
23 of capital is likely to get passed through to the rate base and
24 are nevertheless supporting termination of exclusivity.

25 Your Honor, I'll conclude with one technical point,

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1 because I often can't help myself on the technicalities, which
2 is, I think it's also important to terminate exclusivity
3 because, as you'll hear from Mr. Karotkin, I suspect, only the
4 debtors have the ability to do a settlement under Rule 9019,
5 and the debtors are not a party to the settlement between the
6 bondholders and the tort committee. If you're a plan
7 proponent, that changes. If you're a non-debtor plan proponent
8 and you move forward with the plan that's -- and that plan
9 embodies the settlement --

10 THE COURT: Well, it's not -- technically it's not a
11 9019 motion. It's a plan.

12 MR. DUNNE: Correct, but --

13 THE COURT: I mean --

14 MR. DUNNE: -- in In re Orton in the Ninth Circuit, it
15 set the same standard --

16 THE COURT: No, I know that.

17 MR. DUNNE: -- of review for a 9019 settlement would
18 govern.

19 THE COURT: I just said it was a technicality.

20 MR. DUNNE: Yeah. No, I agree. All I'm saying is,
21 let's not make too much of that point that the debtors are not
22 a party to the settlement because it can be approved as a
23 settlement but only in a plan.

24 THE COURT: But that's the nature of a plan, a cram
25 down plan. And this is just a reverse cram down. If this plan

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1 is promoted and carries the day, it will be what I call a
2 reverse cram down. It will be a plan that -- imposed upon a
3 debtor who didn't invite it; but that's okay.

4 MR. DUNNE: Well, that's the nature of competing
5 plans.

6 THE COURT: That's the nature of competing plans. I
7 agree.

8 MR. DUNNE: All I'm saying is in order to preserve the
9 benefit of having that number, we need to move forward with a
10 plan because it's only through the plan vehicle that you're
11 going to be able to kind of review or approve that settlement.

12 THE COURT: Okay.

13 MR. DUNNE: Thank you, Your Honor.

14 THE COURT: All right. I said that I would hear from
15 the union and TURN for the last couple of minutes, and I want
16 to move quickly.

17 So counsel for the IBEW here?

18 Good afternoon.

19 MR. KNAPP: Good -- now afternoon, Your Honor.

20 THE COURT: Good afternoon.

21 MR. KNAPP: Brad Knapp with Locke Lord on behalf of
22 the International Brotherhood of Electrical Workers, Local
23 Union number 1245.

24 The IBEW represents the interests of more than 15,000
25 PG&E employees and contractors who are tasked with the work of

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1 operating and maintaining PG&E's infrastructure. Our members
2 are concerned about their livelihoods and the uncertainty
3 surrounding the future of their long-time employer.

4 In the IBEW's view, allowing both the PG&E plan and
5 the creditor plan to proceed in tandem provides the best path
6 to mitigate this uncertainty.

7 THE COURT: Do you think the bondholders' plan
8 violates the discrimination rule among equity holders --

9 MR. KNAPP: I think that's a conversation down the
10 road. --

11 THE COURT: -- or your clients --

12 MR. KNAPP: I don't think it does, Your Honor, because
13 I see it more as a post-confirmation employment issue less
14 than --

15 THE COURT: Well, the statute says you've got to --
16 you can't have discrimination within a class, right?

17 MR. KNAPP: Well, the class gets diluted, as I
18 understand it. And then based on their status as employees or
19 retirees, there's a management decision made to -- sort of like
20 the management incentive program.

21 THE COURT: I'm talking about truing up the equity
22 position.

23 MR. KNAPP: Well, exactly. Exactly.

24 THE COURT: Not who stays on in the job, but rather go
25 back to my hypothetical: union member A, retired school

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1 teacher B. Retired school teacher B stock is wiped out, union
2 member A's stays in place, right?

3 MR. KNAPP: I think that could be -- first of all,
4 it's determined for down the road, but the question is whether
5 it unfairly discriminates and whether it's fair and equitable.
6 And so those are considerations that will have to be taken in.
7 And if the Court determines it violates the absolute priority
8 rule, then, you know, we'll have to address that down the road.

9 But the more important aspect is, we need to have a
10 viable exit because I think what the Court will hear, when it
11 comes time for confirmation, is that AB 1054 is a big part of
12 the feasibility consideration.

13 THE COURT: I'm well aware of that.

14 MR. KNAPP: And so if we can have both plans going
15 now, then we have a better chance of meeting those requirements
16 of AB 1054 on the timelines that have to meet and in a great
17 position we're in, in an 1129(c) situation, and there's a
18 decision to be made. But it all depends on how the estimation
19 comes out.

20 And so our view is, the best chance to get to that
21 exit that takes advantage of the funds that are needed for a
22 healthy exit are to allow both to move forward. It's just a
23 precautionary measure that --

24 THE COURT: Okay.

25 MR. KNAPP: -- should be considered.

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1 THE COURT: I got it. Thanks, Mr. Knapp.

2 MR. KNAPP: Thank you.

3 THE COURT: Mr. Harris? Or Mr. Harris, are you the
4 closer or your colleague?

5 MS. LACEY: Good morning, Your Honor. Alisa Lacey on
6 behalf of Public Advocates Office.

7 MR. HARRIS: We're splitting two minutes, Your Honor.

8 MS. LACEY: I'll be very, very brief.

9 Your Honor, I would just follow up on the comments if
10 IBEW, which is AB 1054 and ratepayer neutrality is a
11 gatekeeping issue. At this point, Public Advocates Office has
12 had its analysts go through the debtors' term sheet and has
13 concluded that it is not ratepayer neutral. As a result, Your
14 Honor, we do not believe that you have a plan pending before
15 you presently which, in its current form, could satisfy AB
16 1054.

17 THE COURT: Well, the CPUC will kill it if it's not
18 rate neutral, won't it?

19 MS. LACEY: It will, Your Honor, but believing in Your
20 Honor's early warning system, which you have mentioned at a
21 couple of hearings that you like to get early warning of these
22 things, Public Advocates Office wanted to bring to your
23 attention that at this point, the plan, as proposed, is not
24 ratepayer neutral.

25 THE COURT: Okay.

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1 MS. LACEY: Thank you.

2 THE COURT: Mr. Harris?

3 MR. HARRIS: Your Honor, I agree with Ms. Lacey. TURN
4 doesn't see the plan as ratepayer neutral either. We've seen
5 information supplied by the bondholders. We expect that we
6 presented it to this Court. We were gratified to see in the
7 debtors' objection a statement that, for the first time,
8 there's a need to assess the short- and long-term economic
9 benefits of the bondholders' plan. We think that analysis,
10 along with an analysis of the detriments of the bondholders'
11 plan and the debtors' plan, needs to be put forth at the
12 earliest possible time. Knowing if this plan is neutral, on
13 average, to ratepayers will be an essential determination as to
14 feasibility, and we therefore support any exclusivity now, so
15 that two plans can be developed and evaluated at the same time.

16 Thank you, Your Honor.

17 THE COURT: All right. Consistent with what I said
18 during -- a few minutes ago, I'm going to call a fifteen-minute
19 break, and when we resume, I'll hear from the debtor and the
20 shareholder parties. I have forty-five minutes, and then we'll
21 have a brief rebuttal, and then I'll send you all up to Judge
22 Donato for the 2 o'clock calendar.

23 (Recess from 12:08 p.m., until 12:23 p.m.)

24 THE CLERK: All rise. Parties leave.

25 THE COURT: Okay. Are you up to bat, Mr. Karotkin?

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1 MR. KAROTKIN: Yes, sir.

2 THE COURT: Ready?

3 MR. KAROTKIN: Stephen Karotkin --

4 THE COURT: Good afternoon.

5 MR. KAROTKIN: Good afternoon, Your Honor. Stephen
6 Karotkin, Weil, Gotshal & Manges for the debtors.

7 In terms of allocating the time, I'll take about
8 twenty or twenty-five minutes, I believe, and Mr. Bennett would
9 like about fifteen minutes.

10 THE COURT: Okay.

11 MR. KAROTKIN: But I guess considering how long the
12 other people go, I assume we can go a lot longer if need be.

13 THE COURT: I thought I'd get you started again at 2
14 o'clock. And maybe Mr. Orsini will have to stay here with you,
15 too. I'll ship him up on our magic carpet.

16 MR. KAROTKIN: Okay.

17 THE COURT: I'm sure you can --

18 MR. KAROTKIN: No, we'll be --

19 THE COURT: -- do what you need.

20 MR. KAROTKIN: No problem, Your Honor.

21 THE COURT: Do what you need.

22 MR. KAROTKIN: No worries. Thank you.

23 THE COURT: Do the right thing.

24 MR. KAROTKIN: I'm going to do the right thing; that's
25 for sure.

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1 So Your Honor, let's focus, again, on what your docket
2 order said the other day. And I think you put your finger on
3 it, like, what has happened since August 13th, when you issued
4 your prior opinion, that has changed which would warrant you
5 today, Your Honor, doing a 180-degree reversal of your views
6 when you said at that time -- at that time, Your Honor, when
7 you said, before the debtors had even filed their first plan,
8 when you said, and I quote, "The debtors have placed before all
9 a proposal that, if coaxed and guided to maturity, should result
10 in a proper outcome for all creditors without needing to deal
11 with all the other issues." And those other issues, of course,
12 Your Honor, being the litigation, the expense, the hostile
13 takeover fight to which you referred earlier this morning that
14 will inevitably arise in the context of competing plans; you
15 know that better than anyone.

16 But what has occurred? What progress have the debtors
17 made since that time? Again, to quote Your Honor the other day
18 at the status conference, you said "substantial progress," and
19 those were your words. The debtors have fulfilled all of their
20 commitments that they told to the Court back in August at the
21 prior exclusivity hearing.

22 So let's quickly summarize what has happened since
23 then, Your Honor: On September 9th, as promised, the debtors
24 filed their initial Chapter 11 plan, incorporating the one-
25 billion-dollar settlement that the debtors negotiated. The

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1 debtors negotiated in arm's length negotiations with the public
2 entities.

3 THE COURT: With eighteen particular entities.

4 MR. KAROTKIN: Eighteen, which is the lion's share, by
5 far, of all the public entity claims, Your Honor.

6 On September 13th, the debtors announced their
7 agreement in principal with the subrogation claimants,
8 compromising in settling twenty billion dollars of claims for
9 eleven billion dollars, a forty-five percent discount. Again,
10 a settlement achieved by the debtors as fiduciaries after hard-
11 fought negotiations with the subrogation claimants and, again,
12 another settlement that our friends over here have elected to
13 adopt into their plan, obviously recognizing the benefit of
14 that settlement that the debtors achieved.

15 The debtors filed their amended plan on September
16 23rd, 2019, incorporating that settlement with the subrogation
17 claimants, notwithstanding a concerted effort by the ad hoc
18 committee to frustrate that settlement, including calling
19 members of the subrogation claimants committee up until the
20 time the ink was dry on the signature pages for those
21 settlements.

22 THE COURT: Well, some of those facts are not in the
23 record, I don't think, are they? I don't think they're in the
24 record. So you complained about your opponent making
25 argument -- or testifying, so don't testify, please.

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1 MR. KAROTKIN: Okay.

2 THE COURT: I understand. Look, you got your amended
3 plan on file, consistent with the subrogation settlement.

4 MR. KAROTKIN: Yes, sir.

5 And what else have we done? We've gotten fourteen
6 billion dollars of equity capital and we've gotten thirty-four
7 billion dollars of committed debt capital, enough to fund the
8 debtors' plan as it currently is proposed. Estimation
9 proceedings are proceeding before Judge Donato in the Federal
10 District Court, and in the State Court the Tubbs trial is
11 proceeding in accordance with schedule to assure confirmation
12 is achieved by the June 30th deadline. The CPUC has issued its
13 order instituting its proceedings with respect to the debtors'
14 plan to consider all regulatory approvals, again on schedule to
15 meet the June 30, 2019, deadline.

16 And the debtors' plan, Your Honor -- again, the
17 debtors, recognizing their fiduciary duties to all parties,
18 does not grossly overpay the bondholders by needlessly
19 reinstating their debt when it can be easily refinanced at
20 lower rates and not paying, as a result of that -- of not
21 reinstating that interest at the contract rate, which as you
22 recognized, Your Honor, is not required under well-settled
23 precedent in this district.

24 And what have the bondholders and the TCC done?

25 THE COURT: Well, stop for a minute. Do you think

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1 that the overpayment of the interest, for example, makes their
2 plan fatal, fatally unconfirmable? Or simply, if they want to
3 overpay someone, they can overpay someone? Why is it
4 fatally -- I mean, is it unconfirmable as a matter of law?

5 MR. KAROTKIN: I don't know that it's unconfirmable as
6 a matter of law, but if Your Honor wants to endorse a three-
7 billion-dollar imposition on the ratepayers of this state
8 that's not necessary, you certainly can make that decision.

9 THE COURT: Well, no. It's not a question of
10 endorsing. It's a question of giving the voters a choice.

11 MR. KAROTKIN: As I said, Your Honor, if you think
12 it's in the interests -- and that's a good-faith proposal to
13 impose three billion dollars of excessive costs on the
14 ratepayers of this state, I assume you can make that
15 determination.

16 The debtors, as fiduciaries, don't think that's the
17 right thing to do.

18 THE COURT: Okay.

19 MR. KAROTKIN: And I'm actually astonished that TURN
20 thinks that's the right thing to do.

21 THE COURT: Well, you said that and I was surprised at
22 that also, but you know.

23 MR. KAROTKIN: Okay. So what did the TCC and the ad
24 hoc committee do? And it's very clear from Ms. Dumas' remarks
25 the other day when we were here. It's very clear from the

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1 remarks that were made today by counsel who are supporting
2 exclusivity being terminated. What did they do? Did the TCC
3 present evidence -- evidence as to the validity of their
4 claims? Was that presented to anyone? We've been asking that
5 for weeks and months: Give us evidence of the validity of your
6 claims so that we can come to you with a legitimate proposal of
7 how assets of these estates should be dedicated to pay those
8 claims. Did they come to us and present that information? No.

9 What did Ms. Dumas say a few minutes ago? I'll tell
10 you what she said, if I can just get my notes. She said, and
11 these are --

12 THE COURT: Well, she said you're -- well, okay. You
13 go ahead from your notes.

14 MR. KAROTKIN: She said, in her words, "We're all
15 operating on imperfect information." She said, we believe the
16 claims are high. We believe the claims are high; that's the
17 same thing that Mr. Qureshi says. We believe that claims are
18 high. But was any evidence presented? Has any evidence
19 presented to any party in this case to prove the magnitude of
20 that liability? No. What was presented at the negotiations
21 between the TCC and the ad hoc committee? What was presented
22 that caused the ad hoc committee to offer 14.5 billion dollars
23 of this estate's money to the TCC in settlement of their
24 claims? I'll tell you what was presented: a one-page sheet of
25 paper prepared by Mr. Pitre, a plaintiff lawyer whom you've

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1 met, setting forth his calculation of what he thinks the
2 liability is. And that was good enough, Your Honor, for the ad
3 hoc committee in passing out other people's money to the TCC?

4 As I said, Your Honor, the debtors are fiduciaries.

5 THE COURT: Well, wait. I mean, I'll concede the
6 obvious, that when somebody else decided to tell you how
7 they're going to spend your money, there's a problem. But
8 you're making much about how it came to pass. Why does it
9 matter? The sponsors of the competing plan have said, we will
10 go home if we get fourteen and a half billion dollars. You're
11 being the debtors' advocate by saying, well, wait. I haven't
12 committed to commit that money. I mean, no one's said that we
13 owe that money, and that's a legitimate point. But that
14 doesn't mean that they can't reach an agreement the way they
15 did, does it?

16 MR. KAROTKIN: I think actually it does, Your Honor.
17 I think you were one of the first people to say in this case
18 that no money is leaving this estate unless people prove their
19 claims.

20 THE COURT: Well, I understand.

21 MR. KAROTKIN: Okay?

22 THE COURT: I understand.

23 MR. KAROTKIN: That's what you said. We don't have a
24 bar date. We don't have evidence of the validity of the
25 claims. Notwithstanding that, what they did was they decided

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1 what is the distributable value available.

2 THE COURT: Right.

3 MR. KAROTKIN: What is it? Not, are the claims worth
4 this? Should they be paid this? Should seven billion dollars
5 of equity value be taken away from the shareholders of this
6 corporate?

7 THE COURT: But you also heard Ms. Dumas concede that,
8 if the estimation by the District Court and/or Tubbs fire comes
9 in higher, they're not going to try to get the higher number.
10 So I mean, do you believe that?

11 MR. KAROTKIN: Do I believe it?

12 THE COURT: Well, do you believe that they're locked
13 in? In other words --

14 MR. KAROTKIN: I don't know, Your Honor. Every day we
15 get a new plan with different provisions from them.

16 THE COURT: Well, okay. But let's stick with the plan
17 that they want to file. If Judge Donato makes a determination
18 after the estimation trial and fixes a number that's higher
19 than -- again, I'm going to back out the subro --

20 MR. KAROTKIN: Um-hum.

21 THE COURT: -- because that's a constant -- higher
22 than thirteen and a half billion, I heard Ms. Dumas say the TCC
23 will not try to get a higher number.

24 MR. KAROTKIN: And is Ms. Dumas, as you said, voting
25 on this plan?

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1 THE COURT: No, but I mean, no one --

2 MR. KAROTKIN: And do they control the votes of
3 30,000, as they say, or 40,000 claimants who, Your Honor, are
4 going to say, oh, notwithstanding that Judge Donato found the
5 liability to be well in excess of fourteen billion dollars,
6 nevertheless we'll accept that plan?

7 THE COURT: Well, I mean --

8 MR. KAROTKIN: And has FEMA agreed --

9 THE COURT: Well --

10 MR. KAROTKIN: -- to accept the plan?

11 THE COURT: But I mean, what am I --

12 MR. KAROTKIN: And have the other --

13 THE COURT: What am I supposed to do about it at this
14 point? Anybody who proposes a plan is -- whether it's a debtor
15 who proposes a plan or somebody on a hostile situation with a
16 creditor's plan, says, this is what I think I want. This is
17 what I want to go through the pipeline to these other folks,
18 and the recipients, through their representatives, say, we'll
19 accept that. I mean, that is a process, in and of itself.

20 MR. KAROTKIN: Your Honor, again, if you think under
21 those -- you raised it yourself. You said, again, a little
22 while ago, and you really think that plan will be voted
23 successfully? You raised the issue, and I think you're
24 absolutely right on that issue.

25 So let me tell you what will happen. Your Honor,

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1 under AB 1054, in order to get the benefit of the go forward
2 wildfire funds, there are specific provisions that basically
3 say the wildfire claimants have to be paid in full --

4 THE COURT: Right.

5 MR. KAROTKIN: -- either by estimation or by
6 agreement --

7 THE COURT: Or agreement, right.

8 MR. KAROTKIN: -- or otherwise.

9 THE COURT: Right.

10 MR. KAROTKIN: And what the debtors' plan says is that
11 we will do that. And if it turns out, Your Honor, that Judge
12 Donato estimates the liability higher than what our plan
13 provides, as you said, the plan will be amended. We've
14 demonstrated that there are plenty of alternative sources of
15 capital out there to fund the plan. It doesn't have to come
16 from the equity holders. It can come from somebody else.

17 THE COURT: Well, no, it can.

18 MR. KAROTKIN: And I --

19 THE COURT: But Mr. Qureshi makes the argument that --
20 or Ms. Dumas used the metaphor about gas in the tank. I mean,
21 I think the argument that I heard was, the numbers may be such
22 where there's no economic incentive for anybody to stay in.

23 MR. KAROTKIN: I will tell you, that applies to the ad
24 hoc committee as well.

25 THE COURT: I know. I know. Of course, it does.

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1 MR. KAROTKIN: They only have so much gas in the tank
2 to put an equity investment in here.

3 THE COURT: Right.

4 MR. KAROTKIN: And I'll tell you something, Your
5 Honor, there's plenty of capital available in the market that
6 will invest in this company and fund the plan and not at a
7 seventeen percent discount. A seventeen percent discount to
8 their own plan value, not to our plan value, but to their own
9 plan value. There's plenty of capital out there to address
10 that.

11 And if there is evidence, Your Honor -- and again,
12 evidence provided, which causes Judge Donato to make that
13 decision, then we will amend our plan to address it and make
14 sure that this debtor gets the benefit of AB 1054.

15 THE COURT: But your opponents make the point about
16 what if you are unable to do that. And I raised the question
17 to you in my order. What's the downside? And I know the
18 obvious downside, the expense and the delay and the fighting
19 and the corporate control struggle, but --

20 MR. KAROTKIN: Don't minimize that, Your Honor.

21 THE COURT: Believe me, I'm not. I'm just one judge
22 for this case, you know? And so if -- but the fact of the
23 matter is, if for whatever reason the debtor can't pass muster
24 and get a confirmable plan and we don't have an alternative,
25 then you can kiss AB 1054 goodbye anyway, right?

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1 MR. KAROTKIN: Your Honor, at the levels we're talking
2 about, they'll be gone, too, okay? And it's interesting what
3 Mr. Dunne said before. First of all, there is a limit, as I
4 said, as to how much equity capital anyone will put in this --

5 THE COURT: Right.

6 MR. KAROTKIN: -- in this debtor, including the ad
7 hocs. As I'm sure you know, they're not charitable
8 institutions.

9 THE COURT: I know.

10 MR. KAROTKIN: Okay?

11 THE COURT: That's true.

12 MR. KAROTKIN: They're not doing this for their
13 health. Okay? And let's go back to what Mr. Dunne said. I
14 think he said that, if it's determined that they're not
15 entitled to the federal judgement rate of interest and they're
16 not entitled to Make Wholes, what will happen? I think you
17 asked that question.

18 THE COURT: I did.

19 MR. KAROTKIN: And he said, oh, don't worry. They'll
20 amend the plan to cover that. That's nice of him to say, but
21 at a deposition that took place last week, it was very clear
22 from the ad hoc advisors, his testimony, that this is a package
23 deal for them. The seventeen percent discount, reinstatement
24 of their claims, with a contractual rate of interest, and
25 continuing to receive the high coupon under the debt. This is

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1 not -- this is not pick and choose what you want and I'll still
2 be there.

3 And let me get -- let me address the issue that you
4 said, Your Honor: What's the downside of competing plans? The
5 downside is all of the things you mentioned: a hostile
6 takeover, the litigation, all of that that will be attendant to
7 that scenario. It happens in other cases. It's not
8 beneficial. It's not going to create competition.

9 THE COURT: Well, that's what I said in my oral -- my
10 written ruling last time around, that it's a sideshow for what
11 we're here for, right?

12 MR. KAROTKIN: Exactly. And let me address that. So
13 let's focus on what actually happened in this case.

14 Your Honor, they came in here in August and they --
15 all of these people here, they said the same thing. Your
16 Honor, terminating exclusivity will cause competition. It will
17 move this case forward. It was a mantra. But what happened?
18 You didn't terminate exclusivity. And what was the next thing
19 that happened? The debtors negotiated the settlement with the
20 subrogation claimants. That's what happened.

21 THE COURT: Well, how long did it take for the second
22 motion to terminate exclusivity? Two more weeks? I mean, you
23 know?

24 MR. KAROTKIN: Two more -- because that's -- I mean,
25 they're serial filers. What can I tell you?

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1 But that's what will happen, and that's why, Your
2 Honor. The right answer here -- the right answer is not
3 terminating exclusivity. The right answer is to maintain the
4 status quo, appoint a mediator --

5 THE COURT: Well, no, I know, you've said that before.
6 And believe me, I haven't ignored your suggestion.

7 MR. KAROTKIN: But let me put that into context. And
8 you did -- and we did reflect this in our papers.

9 At the outset of this case, you heard from the tort
10 claimants committee they were entitled to fifty billion; they
11 were entitled to thirty billion. Now, they are at thirteen and
12 a half billion. They said they're willing to take thirteen and
13 a half billion. The delta has shrunk considerably. Eight and
14 a half to thirteen and a half billion cries out for mediation.
15 And Your Honor, we believe that, with an experienced mediator
16 with experience in mass tort cases, that gap can be bridged.
17 And that ought to have a chance of moving forward to see if it
18 can be successful. And as you said, if that's successful, this
19 case marches on to confirmation like a freight train; no one
20 will oppose it.

21 And what's the prejudice, Your Honor, that's going to
22 be suffered if, for thirty days or forty days, you say, okay,
23 let's maintain the status quo; let's try mediation. No plan is
24 going to be solicited until at the very, very, earliest, after
25 the 1st of the year.

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1 THE COURT: Um-hum.

2 MR. KAROTKIN: How will they be prejudiced? There is
3 no prejudice. And Your Honor, mediation -- mediation worked
4 the last time. You know that better than anybody. And we are
5 at a crossroads here. At this point in time, we are at a
6 crossroads in this case. We have a settlement with the public
7 entities.

8 THE COURT: Well, but even if I terminate exclusivity,
9 there still can be mediation.

10 MR. KAROTKIN: No -- there can. But Your Honor, once
11 you've --

12 THE COURT: There's perhaps more to mediate.

13 MR. KAROTKIN: No. When you terminate, the position
14 of the parties will be galvanized. They will be emboldened to
15 pursue their own plan and will be much less likely to achieve a
16 compromise. Look exactly what -- do you think we would have
17 achieved a compromise with the subrogation claimants if you had
18 let them pursue their own plan? I don't think so.

19 THE COURT: I don't know.

20 MR. KAROTKIN: I don't think so. But that's where we
21 are.

22 And you had raised -- just want to make one or two
23 other points. You had raised the issue with the retirees and
24 the employees. Obviously, that plan violates the
25 discriminatory treatment --

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1 THE COURT: Well, but I mean, the reason I did -- I
2 mean, you're focusing on it, but to me, if there's anything out
3 there having to do -- I don't care whether it's the -- at the
4 script after the prior rule to the existing equity or the
5 discrimination within a class of equity or some of these other,
6 more esoteric things that bankruptcy lawyers get all excited
7 about, they still seem to be getting and standing in the way of
8 getting to the goal of getting the victims paid, and all of the
9 other creditors. But nobody's -- you know, the other creditors
10 are going to get paid. You made it clear.

11 But Mr. Karotkin, what happens -- what happens -- what
12 do I do if I don't allow the competing plan and your
13 predication aren't fulfilled? That it's January or February
14 or -- it's February and Judge Donato says thirty billion, and
15 what do I do?

16 MR. KAROTKIN: First of all, if Judge Donato says
17 thirty billion, these people are --

18 THE COURT: I know.

19 MR. KAROTKIN: -- they're history.

20 THE COURT: You've said that before.

21 MR. KAROTKIN: Okay?

22 THE COURT: But --

23 MR. KAROTKIN: But there are other sources of --

24 THE COURT: -- what happens?

25 MR. KAROTKIN: Okay. There are other sources of

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1 capital to fund the plan.

2 THE COURT: Um-hum.

3 MR. KAROTKIN: It doesn't have to be existing equity,

4 Your Honor.

5 THE COURT: No, I know that.

6 MR. KAROTKIN: Doesn't -- you know that better than
7 anybody.

8 THE COURT: Of course, I know that.

9 MR. KAROTKIN: And if we get to that position, then we
10 have a completely different plan scenario for everybody.
11 That's where everybody is impaired.

12 THE COURT: Yeah.

13 MR. KAROTKIN: Mr. Dunne's clients are impaired.

14 THE COURT: Correct.

15 MR. KAROTKIN: Everybody is impaired. And at that
16 point, neither of these plans will be moving forward.

17 All I'm telling you, Your Honor, is give us a chance
18 to get a global consensus. Create the atmosphere to achieve a
19 global consensus, and that's how these cases will move forward
20 successfully.

21 THE COURT: Well, you know, at one of the prior
22 hearings you might recall -- we covered a lot of hearings and a
23 lot of subjects -- but at one point -- I'm going to think it's
24 about three hearings ago -- I asked for any affirmative
25 feedback about the specifics of the mediator, a mediator, or

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1 the process. And you personally, or your client, the only one
2 that responded in any way.

3 So I'm sort of like, is there anybody else that wants
4 me to do this? And I know -- and I can, but it's not something
5 that's easy to do because you've got to figure out who and when
6 and what, and I don't think it's just the fire claim amounts,
7 you know? You just made a point about experienced person
8 dealing with the mass torts, but you previously, I think, in
9 your paper said experienced bankruptcy person, too.

10 So to some extent, these corporate control issues are
11 prospective mediation points too, aren't they? No?

12 MR. KAROTKIN: I don't believe so.

13 THE COURT: You don't think so?

14 MR. KAROTKIN: No. Because if the tort --

15 THE COURT: Because you think that they're --

16 MR. KAROTKIN: -- if the tort liability is resolved,
17 that goes away.

18 THE COURT: Well, if it's resolved consensually --

19 MR. KAROTKIN: That's what I mean, consensually.

20 THE COURT: -- and your client agrees. I mean, look.
21 You heard Ms. Dumas say how happy she'd be if your client said,
22 we'll take the thirteen and a half billion. And I said, well,
23 let's see if you do, so --

24 MR. KAROTKIN: And Your Honor, if they --

25 THE COURT: No, we're not going to mediate this

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1 publicly, but --

2 MR. KAROTKIN: No. If they presented evidence where
3 we as fiduciaries could evaluate the claims, then --

4 THE COURT: Well, you know, you've said --

5 MR. KAROTKIN: But we can't -- but Your Honor, what we
6 can't do is just accept their word for it.

7 THE COURT: No, you can't. I agree with you. But
8 weren't we going to start with the claims deadline?

9 MR. KAROTKIN: Yes. Exactly.

10 THE COURT: And then even that may not be the maximum,
11 right?

12 MR. KAROTKIN: It may not.

13 THE COURT: It will be some number, but we don't know.

14 MR. KAROTKIN: But it will give us -- Your Honor,
15 right now, we're operating in an information vacuum. At least
16 the bar date, which is a week and a half from now --

17 THE COURT: Right.

18 MR. KAROTKIN: -- will give us some more information.

19 THE COURT: Well, it will probably give you at least
20 some information about who hasn't filed claims rather than who
21 has filed claims. Because the ones who have filed claims
22 may -- you know, there may be a lot of need to sort through
23 them and figure out which ones are legit.

24 MR. KAROTKIN: Okay. But Your Honor --

25 THE COURT: Right?

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1 MR. KAROTKIN: -- now we have no information. And for
2 you to terminate exclusivity in the face of no claims
3 information, with a bar date not even having taken place, that
4 to me would be unprecedented. The debtors are entitled to an
5 opportunity to evaluate the claims, to get the claims
6 information, and to determine -- and work with the tort claims
7 committee when they have the information to try to achieve a
8 settlement here. And I think that's the right way to proceed.

9 We cannot, Your Honor, as fiduciaries, just agree to a
10 number because Ms. Dumas and Mr. Pitre say they believe that's
11 the number; that's not how a Chapter 11 works.

12 THE COURT: Is 8.4 your number?

13 MR. KAROTKIN: Pardon me?

14 THE COURT: Is your 8.4 a number that is supported by
15 evidence?

16 MR. KAROTKIN: Our 8.4 is a bottoms-up analysis done
17 by our experts --

18 THE COURT: Okay.

19 MR. KAROTKIN: -- over a long, long period of time.

20 THE COURT: Okay. But it's still a number. In other
21 words, if somebody said, fine, let's just confirm that plan,
22 you're not going to have a fit and say, no, that's really less?

23 MR. KAROTKIN: No.

24 THE COURT: I mean --

25 MR. KAROTKIN: Absolutely not.

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1 THE COURT: Well, okay. But I mean, there's -- there
2 have been different views. Your colleague at the table there
3 has publicly said frequently, there's no admission as to
4 liability. And he's entitled to say that.

5 MR. KAROTKIN: We have put that in the plan.

6 THE COURT: Oh.

7 MR. KAROTKIN: And we will stand by that number.

8 THE COURT: Well, that's what I assumed.

9 MR. KAROTKIN: Of course. And as I said, Your Honor,
10 let's have some evidence of what the claims are so the debtor
11 as a fiduciary can make a reasoned judgment as to what is the
12 appropriate amount. Give us a chance to do that. Give us a
13 mediator to help us do that. And dispense with --

14 THE COURT: Well, again, I don't want to --

15 MR. KAROTKIN: -- all other litigation.

16 THE COURT: Look, I've said, two, three times, you,
17 you and your client, are the ones that are saying it over and
18 over and I'm not opposing it, but what I'm saying is, if I were
19 a mediator in a case like this, I'd start by saying, okay,
20 what's the support? I mean, we're back to the same question,
21 aren't we? Your position, I'd presume, would be that your
22 experts have told you that that number is a hard number, can't
23 go lower. But if the mediator says, well, what's your number,
24 to the other side, and they don't have an answer, then what
25 happens to the mediation?

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1 MR. KAROTKIN: I assume they -- I assume they must
2 have some information to support the amounts they're looking
3 for. That would be astonishing that they have no
4 information --

5 THE COURT: No, I agree.

6 MR. KAROTKIN: And that --

7 THE COURT: I agree.

8 MR. KAROTKIN: -- and that Your Honor would actually
9 approve that type of payment, with no information.

10 THE COURT: Well, you're jumping the gun to what I
11 would approve because I might not approve it until people vote
12 on it. But if they vote on it and there's adequate disclosure,
13 then I think we're somewhere.

14 But look, as we've said before, for the kind of
15 statements that the TCC and their counsel have made earlier
16 than even for their lawyer today to stand up and say, we'll
17 take to the bank a 13.5 billion dollar plan doesn't mean that
18 the votes are going to come in, but it's certainly, from my
19 experience and I suspect from yours, when a committee supports
20 something, they probably get the support of the constituents;
21 don't you think?

22 MR. KAROTKIN: I think it depends on the individual
23 circumstances of the case --

24 THE COURT: Okay. Fine, but --

25 MR. KAROTKIN: -- and who they represent, who's on the

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1 committee; there are a lot of variables here, Your Honor, that
2 we don't know about.

3 THE COURT: No, we don't.

4 MR. KAROTKIN: So --

5 THE COURT: Okay.

6 MR. KAROTKIN: Okay?

7 THE COURT: Mr. Bennett, are you going to take over?

8 MR. BENNETT: Thank you, Your Honor. No.

9 MR. KAROTKIN: Yeah. Oh, I'm sorry, I made a -- Mr.
10 Feldman wants two minutes, too.

11 THE COURT: Okay.

12 MR. KAROTKIN: Sorry.

13 THE COURT: Mr. Feldman?

14 MR. FELDMAN: I will be brief, Your Honor. I really
15 only want to make, I think, two points, and I think I can do it
16 in less than two minutes.

17 THE COURT: I --

18 THE CLERK: We need an appearance.

19 THE COURT: We need --

20 MR. FELDMAN: For the record --

21 THE COURT: Yeah.

22 MR. FELDMAN: -- for the record, Matthew Feldman on
23 behalf of the Ad Hoc Committee of Subrogation Claimants.

24 Your Honor, I think in a certain sense, you've teed
25 this up, and we want to be as transparent as possible. We have

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1 an eleven-billion-dollar-agreed-upon claim subject to this
2 Court's approval in two weeks.

3 THE COURT: Right.

4 MR. FELDMAN: These are not apples-to-apples plans;
5 we're going to park that issue for another time. We're not
6 sure what we get under the bondholder plan, TCC plan. It's an
7 eleven-billion-dollar face, but their form of consideration is
8 subject --

9 THE COURT: Yeah, but that -- but that's about --

10 MR. FELDMAN: -- is subject to issue.

11 THE COURT: But that's about the only issue, right?

12 MR. FELDMAN: Only issue.

13 THE COURT: I mean, it's a constant, for our purposes.

14 MR. FELDMAN: Only issue. But what I really want to
15 address is something Mr. Dunne said, because he's -- I think
16 he's wrong about one thing, and I think he hasn't thought
17 through a second thing. He's wrong, Your Honor, to say that
18 competition will be fostered and a global settlement will be
19 reached if the Court were to lift exclusivity and create
20 parallel plans. In fact, I think it's quite the opposite. And
21 Mr. Karotkin hinted at it earlier, but I think it's worth
22 saying it more clearly.

23 It's the threat of lifting exclusivity that drives
24 people together and drives negotiations. If the Court were
25 actually to lift exclusivity, it will be exactly as -- as Mr.

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1 Karotkin referenced; the parties will go to their corners and
2 litigation will commence. And you think you're busy now,
3 Judge, you will get even busier if that's the path the Court
4 decides to take. That's one piece.

5 The second piece, I think, is more important, which is
6 Ms. Dumas said something very important today. She said, it's
7 a cap without a floor. We will agree no more than thirteen and
8 a half billion dollars. If we go through estimation and it
9 turns out that the claims are more than thirteen and a half
10 billion dollars, we've agreed to a cap. That's great from a
11 committee perspective, but in order to satisfy AB 1054, the
12 language says that you have to be either estimated or
13 liquidated, the claim, and paid in full. The committee can
14 agree to a cap, but any individual --

15 THE COURT: Well, no. But that was my point.

16 MR. FELDMAN: -- any individual tort claimant.

17 THE COURT: One person --

18 MR. FELDMAN: Well, you made the point, Your Honor --

19 THE COURT: Yeah.

20 MR. FELDMAN: -- in conjunction with best interest
21 test and in conjunction with whether or not you can meet 1129
22 standards. I'm saying you can't get out of first base. You
23 can't meet AB 1054 and access the wildfire fund, so why would
24 we ever want to see that plan --

25 THE COURT: And tell just --

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1 MR. FELDMAN: -- on a parallel path?

2 THE COURT: Fill that out. Explain that in more
3 detail.

4 MR. FELDMAN: Yeah.

5 THE COURT: So let's assume that the TCC's plan is on
6 the table and Ms. Dumas's figure of 13.5 billion for the
7 victims is embedded into that plan.

8 MR. FELDMAN: Correct.

9 THE COURT: You're saying that --

10 MR. FELDMAN: And now we go through estimation and
11 Judge Donato and the Tubbs judge come back and, in fact, the
12 victims are entitled to --

13 THE COURT: Higher.

14 MR. FELDMAN: -- eighteen billion dollars, just to --

15 THE COURT: Yeah, X.

16 MR. FELDMAN: -- whatever it is.

17 THE COURT: Anything more than thirteen and a half.

18 Okay.

19 MR. FELDMAN: More than thirteen and a half.

20 Anybody who doesn't consent to that thirteen and a half
21 recovery by voting in favor of the plan is entitled, in order
22 to meet the standards of AB 1054, to payment in full based on
23 the estimated amount.

24 THE COURT: And the argument would be what, that it
25 simply doesn't comply with the law?

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1 MR. FELDMAN: Correct.

2 THE COURT: But the law says what the Court
3 determines.

4 MR. FELDMAN: But the Court has determined that the
5 estimate of claims is above the thirteen-and-a-half billion
6 dollars.

7 THE COURT: Okay. Okay, so it's the -- it's the
8 district judge's determination of the value, not the bankruptcy
9 court's determination of what the plan -- the accepted plan
10 provided for.

11 MR. FELDMAN: It has to be correct, Your Honor. That
12 has to be what the --

13 THE COURT: Well, I mean, I think --

14 MR. FELDMAN: -- statute means.

15 THE COURT: -- I think I'm agreeing with you.

16 MR. FELDMAN: Yeah.

17 THE COURT: But we none of us have much experience
18 with AB 1054, right?

19 MR. FELDMAN: My goal in all of these cases, Judge, is
20 not to make law, and I'd like to not make law on AB 1054; I'd
21 like the company to emerge in June and get access to the
22 Wildfire Fund.

23 THE COURT: No, but the language -- I mean, it's a
24 long difficult statute, but as I recall, the provisions in
25 there on that amount are -- is pretty straightforward, and it

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1 seems --

2 MR. FELDMAN: Pretty straightforward.

3 THE COURT: -- to say pay them an agreed amount. But
4 the statute doesn't get into the niceties of percentages and
5 acceptance ratios --

6 MR. FELDMAN: It doesn't get into percentages, but it
7 specifically says "estimate".

8 THE COURT: Correct. Correct. But -- yeah, that's
9 right. So okay, we're in -- but then you're -- on the flip
10 side is, if the estimation is below the number, then you have a
11 different problem, but that's not an AB --

12 MR. FELDMAN: Well, I don't think we have a different
13 problem. If I understand Ms. Dumas, which I think is a really
14 important point, she has said we would agree to a lower amount
15 if the estimation and the Tubbs trial come out at a lower
16 amount. I think I heard her very clearly say that.

17 THE COURT: No, but I think Mr. Qureshi made the point
18 that he agrees that if the court -- district court determined a
19 lower amount, the plan's not confirmable, because Mr. Bennett
20 over there would tell us, correctly, that it would violate the
21 absolute priority rule by overpaying the claim amount.

22 MR. FELDMAN: Correct, and then --

23 THE COURT: And so --

24 MR. FELDMAN: -- Ms. Dumas corrected that to say that
25 they would take the lesser amount.

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1 THE COURT: Yeah.

2 MR. FELDMAN: But I don't think that problem exists
3 anymore.

4 THE COURT: So but the AB 1054 issue doesn't exist
5 either, if --

6 MR. FELDMAN: Correct.

7 THE COURT: -- if it's the amount. It's only if the
8 amount is higher --

9 MR. FELDMAN: Correct. But the whole purpose of Mr.
10 Dunne's colloquy was to say there's financing for an even
11 higher amount, Your Honor. And in fact, I think it's not -- I
12 think it's a red herring, is what it --

13 THE COURT: So AB 1054 says that parties can reach an
14 agreement or the court can estimate.

15 MR. FELDMAN: Right.

16 THE COURT: So what do you do with the hold out --

17 MR. FELDMAN: Correct.

18 THE COURT: -- what do you do -- I mean, what do you
19 do as far as a mediation process? How do you bind everybody?

20 MR. FELDMAN: In a mediation, Your Honor -- and I --
21 that's the debtors' advocation of a mediation -- I think we
22 have to go through estimation, at the end of the day.

23 THE COURT: Even if the TCC agrees?

24 MR. FELDMAN: I think if the TCC can get on board,
25 they can do what we've done with our group, which is we've said

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1 we'll take eleven billion dollars, and our group members will
2 take the risk that someone is entitled, at the end of the day,
3 to a higher amount of money than they're getting under our
4 allocation.

5 We've said to the Court when we teed this up, that we
6 would take on that risk. If the TCC and the individual
7 plaintiffs want to do that as well, I think they could do that.
8 It may result in disparate recoveries within a particular fire,
9 but that's a risk that's a group risk, not an individual risk.

10 THE COURT: Okay.

11 MR. FELDMAN: Thank you.

12 THE COURT: Thank you, Mr. Feldman.

13 Mr. Bennett?

14 MR. BENNETT: Thank you, Your Honor.

15 THE COURT: And Mr. Karotkin said you would like
16 twenty; is that right?

17 MR. BENNETT: I wanted twenty, he cut me to fifteen,
18 but I won't use --

19 THE COURT: You can have twenty if you want.

20 MR. BENNETT: Thank you, Your Honor. I'll try not to
21 use all of it.

22 So I have a lot of different points I wanted to make,
23 because there are different -- there are a lot of different
24 things flying around this morning.

25 First relatively narrow confined issue, in many places

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1 in the so-called alternative plan, it provides that contract
2 rates will be paid to matured claims, not just the reinstated
3 claims. In everywhere where that term appears, it is illegal
4 in the Ninth Circuit.

5 So I want to be perfectly clear. A plan that contains
6 that term is not confirmable, and we would say it's not
7 confirmable both in the context of reinstatement, where
8 reinstatement is so economically disadvantageous to the debtor
9 and to ratepayers, but in the -- clearly with respect to
10 matured claims, like debts and bonds that have already matured,
11 credit facilities that have already matured, contract claims
12 that have already matured, to the extent that you provide in a
13 plan filed in the Ninth Circuit, for contract rate interest,
14 which is higher than federal judgment rate interest --

15 THE COURT: So you think --

16 MR. BENNETT: -- that's not --

17 THE COURT: -- Cardelucci applies to matured and --
18 but you would -- you'd also made the point in your opposition
19 that paying any interest on unmatured claims is a different
20 flaw.

21 MR. BENNETT: It acts -- in this instance, because
22 they've tried to reinstate them and create a separate
23 transaction, which indirectly causes them to be secured,
24 they've basically taken old, high, unsecured interest rates and
25 applied them to new secured debt. That's a huge value

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1 transfer. I think it's --

2 THE COURT: So if that plan -- but if that plan were
3 on the table, and it's time to submit objections, you would
4 object on the matter of law, and --

5 MR. BENNETT: Absolutely.

6 THE COURT: -- and if you were right, they would amend
7 it, simple enough, right? I mean, it's like everything else.

8 MR. BENNETT: I suppose that's right. I suppose,
9 though, that when you're dealing with kind of clear -- not kind
10 of clear -- absolutely clear Ninth Circuit authority, we
11 shouldn't have that extra detour, but that's okay. I am -- my
12 job is to deal with things like that.

13 THE COURT: But on your side, Mr. Karotkin made the
14 point that, for example, if the ruling goes the other way on
15 the interest, the debtor will just amend the claim up. So I
16 mean, if the debtor can -- I mean, amend the plan up. So if
17 the debtor can amend the plan up to make it legal, the
18 proponents of the opposing plan can reduce their plan --

19 MR. BENNETT: Well --

20 THE COURT: -- their claim -- their amount to make it
21 legal.

22 MR. BENNETT: And by the way, actually, there's a big
23 difference there. I think their commitments disappear if that
24 happens.

25 THE COURT: Why does -- why is that?

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1 MR. BENNETT: Because they provide that the plan has
2 to include the --

3 THE COURT: Oh, the funding.

4 MR. BENNETT: -- the funding of the interest. So I
5 think that's a fundamental difference. And we're going to come
6 to their commitments in a second, because I think that they
7 glanced past them rather quickly.

8 The next point on my agenda is the assertion that
9 somehow the financing parties that are supporting the debtors'
10 plan are going to run out of gas. And that was mainly directed
11 to the equity holders.

12 Mr. Karotkin is correct that there's a couple of
13 things you have to remember about the debtors' plan. One is,
14 it's not only supported by equity-holder financing; and
15 secondly, the equity-holder financing is very different than
16 the bondholder financing. It's a backstop which allows the
17 debtors to sell stock to the highest bidders, wherever they may
18 be.

19 And one of the differences in the bondholder
20 commitment is that it requires that the stock be sold to the
21 bondholders, at their price. So the financing structure that
22 the debtors negotiated with us -- this was an arm's-length
23 discussion, a little more than a week of intensive
24 negotiations -- resulted in a structure that actually gives the
25 debtor the opportunity and ability to get financing from any

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1 source they want to. And the shareholder backstop is truly a
2 backstop; it's not a force financing; it's a strictly
3 protective structure. Totally different.

4 Okay. So my first real discussion about financing is
5 around where did this allegation come from that somehow the
6 debtors' financing was going to run out of gas? One of the
7 things we all do before we get to a hearing in the morning is
8 we read the pleadings where this started. And there was a
9 motion to terminate exclusivity.

10 And in the motion to terminate exclusivity there are
11 three complaints about the debtors' plan. And I'm on page 9,
12 paragraph 14. Your Honor probably remembers them.

13 THE COURT: Oh, of course.

14 MR. BENNETT: The first one was that the plan was
15 dramatically underfunded because they only had two signed
16 commitments on the first day. They only have Abrams and
17 Knighthead, and they didn't have the rest.

18 The argument was you've got one-point --

19 THE COURT: One-and-a-half I think that was --

20 MR. BENNETT: -- one-and-a-half billion --

21 THE COURT: One-and-a-half --

22 MR. BENNETT: -- and you need fourteen. Okay?

23 Well, actually, more than fourteen came in. The
24 debtors have the haircut, and the debtors cut back everybody's
25 commitments to fit them within the required fourteen. And the

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1 debtors went out and got supplemental financing.

2 So how this started was not a new argument that
3 they're going to run out of gas, it was well, you don't have
4 the financing you need. Well, let's now understand where we
5 are, based on the record -- let's try to confine ourselves to
6 the record. All of the financing the debtors said they would
7 need actually showed up. In fact, one of the tranches and
8 maybe others -- if I'm not remembering correctly, Mr. Karotkin
9 can tell me -- but the equity tranche was oversubscribed.

10 Okay?

11 Now, as to this point -- we'll come to this in a
12 second -- they said well, we know that's not going to work
13 anymore, so we have to invent a new one. And so they said,
14 well, the debtors are going to run out of gas, and the people
15 we think are going to run out of gas are the equity. And we
16 think the debtors are going to run out of gas because it's just
17 about seven billion dollars' worth of equity value, and oh, by
18 the way, we think we know what the reorganization value is.

19 Well, but wait a minute. None of that is evidence
20 about what the shareholders are willing to do. Again, last
21 round oversubscribed. Oh, one more part of the evidence. That
22 was the second round of commitments. When the first round
23 didn't fit the facts as the debtors' plan evolved, about a
24 week-and-a-half later, the second one showed up extraordinarily
25 rapidly.

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1 So what are the facts before the Court? The facts
2 before the Court are: oversubscribed financing, delivered when
3 they said it would be delivered, and oh, by the way, not the
4 first time, it's the second time. Okay?

5 So we know what happened. Those are the facts. The
6 idea that it wouldn't happen again, that's speculative.
7 There's no evidence of that. They did nothing to try to create
8 evidence of that.

9 What has happened, Your Honor, is they had to invent a
10 new argument because their old one fell flat. Okay. Just for
11 completeness purposes before we get back to their commitment,
12 which I want to do, the other two complaints were -- it's
13 important to remember, the subro settlement was overpayment.
14 That's what they said. They said in their papers, the subro
15 settlement is too much. Now, of course, the ink was barely dry
16 on that when they changed their minds and they said, the subro
17 settlement is perfect. We embrace it. Okay. I'm waiting for
18 next for them to say the subro payment should be higher because
19 we'd like to buy their votes away. But please, remember, you
20 are asked to terminate exclusivity because the subro settlement
21 was too high and then they embraced it.

22 And then the last one was that they were dramatically
23 undercompensating the bondholders -- that the debtors were
24 dramatically undercompensating the bondholders, and they were
25 dramatically undercompensating the tort claimants. Well, the

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1 bondholders -- that's all about the fight about contract
2 interest in Make Wholes. There's about to be a briefing
3 schedule. I thought it was going to be before this hearing.
4 But there will be a briefing schedule at which Your Honor will
5 decide that, and I agree that's going to get decided for any
6 plan, and I'm looking forward to that set of advocacy. But
7 now, the last thing was we were underpaying the tort claimants.

8 Okay. This is a good place -- and I'll come back to
9 their commitment. I don't want to forget it. This is a good
10 place to shift to something else. And what am I shifting to?
11 So evidence in the case. Your Honor talked about evidence.
12 One of the things that Mr. Karotkin attached to his papers was
13 the full deposition transcript of the Brent (phonetic)
14 Williams' deposition. I don't know if you got a chance to read
15 it. I encourage you to do so before you decide the exclusivity
16 motion, but I'm going to zero in on one noteworthy section, and
17 I'll pause so that people can follow it to make sure I don't
18 misquote a single word, and that is page 127 of the Williams'
19 deposition. It starts kind of in the middle of the page.

20 So who is Mr. Williams? Mr. Williams is the financial
21 advisor to the TCC, the person they put up as having the most
22 knowledge about their negotiations with the bondholders and a
23 vast array of other things. And there's a lot about that
24 deposition transcript that Mr. Karotkin cites, including the
25 apparently undisputed fact that number one -- or two facts.

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1 Number one, that the bondholders never challenged the TCC on
2 the amount of their claims, that they just got their forty-six-
3 billion-dollar estimate and said, okay. Let's move on. And
4 then the second thing that it says is that the TCC never
5 challenged the bondholders' entitlement to contract rate
6 interest or Make Wholes. That is -- comes up over and over
7 again.

8 But this was the part that was incredibly striking to
9 me and that you cannot disregard. At page 127 Mr. Williams is
10 asked:

11 "Q. How much would it take to pay them" -- is the
12 word in the transcript, but he means the individual wildfire
13 claimants -- "in full?"

14 Answer by Mr. Williams:

15 "A. I have no idea.

16 Mr. Orsini:

17 "Q. Because you haven't done that analysis?"

18 Mr. Williams:

19 "A. That, and we haven't had our bar date."

20 I can't help finding that testimony dramatically
21 disconsonant with what happened here today where everybody
22 walked into Your Honor and said, well, you have to deal with
23 claims being more than 8.4 billion dollars that the debtor
24 calculated them at. Their professionals have no idea. Their
25 professionals say the bar date is important.

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1 There are many ways, I suppose, Your Honor, where
2 plans can be formulated, but against this backdrop, the plan
3 that the -- that our -- that the TCC and the bondholders would
4 like to see filed and exclusivity terminated, not on this
5 record. Not on this record, which is embedded in --

6 THE COURT: So what's going to happen on October 22nd
7 or -3rd or -4th?

8 MR. BENNETT: We're going to get there. So there's
9 another part that's kind of interesting that I don't think I'm
10 going out of bounds on, which is that I actually have some more
11 information now. Everybody in the courtroom has some more
12 information now. Why? Because roughly -- it's not a week
13 even. But I'll say roughly a week ago, the BrownGreer database
14 was made available but with a condition. I'm not allowed to
15 talk about it to you until October 21st, okay?

16 THE COURT: Or probably the 22nd.

17 MR. BENNETT: Well, no. It says that the condition is
18 it's not -- I am not allowed to talk to you about it until
19 October 21st. That is in --

20 THE COURT: Okay. Then don't. Don't say it, then.

21 MR. BENNETT: I'm not going to. But that mere fact
22 ought to focus the mind as to the effort and the extent to
23 which the TCC and the bondholders want to walk into court and
24 throw around big numbers, but at the end of the day prevent
25 anyone from actually talking about real numbers. If you're

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1 going to make a decision, Your Honor, to modify exclusivity,
2 let's do it on real numbers.

3 The 21st is going to be an important day. You're
4 right. Analysis is going to take some time. We've got a
5 little bit of a head start because of BrownGreer. We have a
6 little bit of an additional head start because of information
7 that we've received from the subros, but information will be
8 coming soon.

9 But against this background -- against this background
10 of a financial advisor having no idea and because he didn't do
11 the analysis and he haven't had our bar date, how can it
12 possibly be that the debtors' approach of relying on their own
13 estimates for the time being subject to amended -- we're
14 already dealing with the first amended plan. How can it
15 possibly that that's not a reasonable way to proceed,
16 particularly where, as Mr. Karotkin accurately pointed out, the
17 only major settlements in this case were negotiated by the
18 debtors during exclusivity (indiscernible)?

19 THE COURT: Mr. Bennett, how many times do you see
20 plans that are filed, typically by debtors but perhaps by
21 opponents, that don't have all the T's crossed and all the I's
22 dotted, I mean, including the simple case that says I'm going
23 to sell black acre to the buyer? I just don't have a buyer
24 yet. You don't toss the plan. You let the plan start to
25 mature a bit and give an opportunity to the proponent to show

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1 that it's doable. What --

2 MR. BENNETT: Your Honor --

3 THE COURT: What's difference about this other than
4 it's --

5 MR. BENNETT: Okay.

6 THE COURT: -- big?

7 MR. BENNETT: That's a softball.

8 THE COURT: Yeah.

9 MR. BENNETT: There's two differences.

10 THE COURT: Okay. Softball -- hit it.

11 MR. BENNETT: One, no data, at all. Okay.

12 THE COURT: But data will be somewhere next week --

13 MR. BENNETT: Okay.

14 THE COURT: -- two weeks.

15 MR. BENNETT: But let's now talk about the true
16 foundations of the plan.

17 THE COURT: No, no. I'm not going to refuse your
18 argument, but I'm just saying, do you throw a plan out when the
19 proponent doesn't have all the answers on the day he or she
20 files it?

21 MR. BENNETT: The question is, do you determine
22 exclusivity for a plan, one that is not grounded on any facts
23 because the proponent says the fact don't exist yet or they
24 haven't found out what they were --

25 THE COURT: Okay.

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1 MR. BENNETT: -- and when it has an illegitimate
2 foundation?

3 THE COURT: Okay.

4 MR. BENNETT: So now, let me talk to the next point.

5 THE COURT: Okay.

6 MR. BENNETT: So there is attached as Exhibit 8, the
7 debtors' motion, a short email. There's actually two emails --

8 THE COURT: Yeah. I don't want to hear that again.

9 That -- I'm not going to get into that subject.

10 MR. BENNETT: Well, can I --

11 THE COURT: I read them. The whole one sentence.

12 MR. BENNETT: There's another --

13 THE COURT: I felt like I was watching CNN.

14 MR. BENNETT: Okay. Well, I want you, Your Honor, to
15 see the rest of the email exchange, which was not reproduced,
16 okay?

17 THE COURT: Well, then why should I consider if it
18 wasn't in the record?

19 MR. BENNETT: No, no. It was in the record. They
20 just used one copy instead of another one. This is a produced
21 document with the base language below it. And if Your Honor
22 will permit me, I have a bunch of copies for other copies, but
23 if I can approach with one for you --

24 THE COURT: But let me tell you, I want to focus on
25 whether we should have a competing plan, not what somebody in

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1 the heat of battle said something, lawyer to lawyer. You know,
2 this isn't kindergarten. There are no bad words. People can
3 use hard language if they want.

4 MR. BENNETT: Yeah. Your Honor, they can, but I think
5 Your Honor has to see the --

6 THE COURT: I suspect you probably haven't always used
7 the king's English, and every time you've been in a tough,
8 hard -- imagine back there with the Dodgers and Magic Johnson
9 wanted to get the Dodgers out of bankruptcy, and I bet you
10 there was some hard language.

11 Go ahead.

12 MR. BENNETT: Actually, there wasn't really.

13 THE COURT: I'm sure. I'm sure they all just
14 collapsed.

15 MR. BENNETT: He was actually a perfect gentleman.

16 THE COURT: What do you want me to read here?

17 MR. BENNETT: Okay. So I have two context points,
18 which I don't think was made clear in the papers. Number one,
19 why does -- I'm not even going to quote the language. Why does
20 Mr. Pitre send an email at all? It's in response to the
21 announcement of a settlement.

22 THE COURT: Yeah, I know.

23 MR. BENNETT: It's one of the positive developments in
24 this case. Okay. So one of the problems I had when I read
25 this is, okay. I can understand why in the heat of battle and

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1 for other purposes this quote might come out. I'm having
2 trouble wondering why this quote comes out after everyone has
3 to regard was a seminal event in the cases and that within days
4 would be embraced by the bondholders and the TCC as an
5 appropriate settlement?

6 Now, I want you to look at the top email. So this is
7 actually lawyer to lawyer, by the way. This is --

8 THE COURT: No. I know it isn't.

9 MR. BENNETT: This is lawyer to a business person,
10 Jeff Rosenbaum (phonetic) --

11 THE COURT: Yes, I understand.

12 MR. BENNETT: -- who by the way is a bankruptcy
13 expert. Ms. Dumas is on it as well. And --

14 THE COURT: Yes. I see that.

15 MR. BENNETT: -- if I got an email like Mr. Pitre's, I
16 would probably write back something to the effect of, you know,
17 this isn't actually what we're doing. When you're proposing a
18 plan of reorganization, you're trying to solve everybody's
19 problems, not just your own. That's what a successful plan of
20 reorganization is. That's when the Court should be thinking
21 about terminating exclusivity.

22 But no. No one says, gee, we don't -- we want a plan
23 that should be broadly acceptable, should meet the needs of all
24 constituencies. If there's anything that Mr. Pitre is saying
25 is his plans only designed for one purpose. Now, Mr. Rosenbaum

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1 says --

2 THE COURT: Mr. Pitre -- I mean, this is why I don't
3 want to make this personal, but he is only representing fire
4 victims. He's not here as some sort of ombudsman to reorganize
5 PG&E. He's trying to get his clients paid.

6 MR. BENNETT: Okay. And Mr. Rosenbloom, who is
7 supposedly being the adversary in that settlement discussion,
8 doesn't say cool it. We don't do that. We're doing something
9 else. He says, let's get together and do exactly what you
10 want.

11 THE COURT: Well, it isn't quite what it says. It
12 says, let us know. But I mean, what do you want me to make of
13 this?

14 MR. BENNETT: I want --

15 THE COURT: I can't believe we're wasting time on
16 this.

17 MR. BENNETT: The question is whether exclusivity
18 should be terminated --

19 THE COURT: Right.

20 MR. BENNETT: -- for a plan that number one is founded
21 on no information, whatsoever --

22 THE COURT: That's --

23 MR. BENNETT: -- and number two --

24 THE COURT: That's right.

25 MR. BENNETT: -- has suspect underpinnings?

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1 THE COURT: But what -- okay.

2 MR. BENNETT: Last point.

3 THE COURT: That's your point.

4 MR. BENNETT: Last point is that -- so Your Honor has
5 been told that the commitments by the shareholders and the
6 other commitments that have been obtained by the company are
7 going to fall away and they're going to disappear. So but the
8 record in the case includes behind -- and there's two versions
9 of the letter -- but behind notices of filing of amended
10 commitment letter of certain members of the ad hoc committee of
11 senior unsecured noteholders and then I think there was one
12 more revision that came later. So there were two revisions.

13 Paragraph 2 is just an example, not the only place in
14 those commitments, is where in three places the commitment is
15 only enforceable if in the sole discretion of the commitment
16 parties constituting the majority every single document that is
17 later produced is acceptable to them, three times. Then -- in
18 the third instance, the sole discretion qualifier is they get
19 to decide whether there's been a termination event.

20 THE COURT: I'm trying to keep up with you. Which
21 document are you looking at now?

22 MR. BENNETT: This is the commitment from the
23 bondholders.

24 THE COURT: From them?

25 MR. BENNETT: From them.

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1 THE COURT: Yeah.

2 MR. BENNETT: Okay. You will not find this kind of
3 language in the commitments that was negotiated between --

4 THE COURT: But so what? I mean, am I supposed to --

5 MR. BENNETT: They're --

6 THE COURT: -- think that the deal turns on that? I
7 mean, these people aren't -- nor your side. People aren't in
8 this game because they want to take hike. It's because they
9 want to be in the game.

10 MR. BENNETT: You need them to be there when things
11 get rough.

12 THE COURT: Correct.

13 MR. BENNETT: And this one is not going to be there
14 when it gets rough. The question is, which commitment was
15 illusory, and the assertion, even by Mr. Dunne, who should know
16 better, was that the commitments that were negotiated arm's
17 length between the company and the holders were somehow not
18 going to be there and would disappear. The ones that disappear
19 are the ones that have a signature that say, in our sole and
20 absolute discretion we get to decide what the documents say.
21 In our sole discretion, we get to decide if conditions are met
22 or not met. Those are commitments that are going to disappear.

23 THE COURT: Okay. Are we done?

24 MR. BENNETT: Your Honor, this has been a lot of
25 progress. You should keep the cases exactly where they are.

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1 By the way, we support the debtors' view for the same reason I
2 said at the last hearing that a mediation would be a good
3 thing. I think one of the principal problems here is lack of
4 information, lack of sharing information. Strong mediators are
5 able to solve that problem.

6 THE COURT: That's true.

7 MR. BENNETT: And that's a major problem. Thank you,
8 Your Honor.

9 THE COURT: Thank you, Mr. Bennett.

10 Anyone else want to be heard in supporting the
11 debtors' side? I think -- okay. We'll go back to -- Mr.
12 Karetzi (phonetic), are you the closer? Are you the one -- you
13 said you want to reserve ten minutes, right?

14 MR. KARETZI: Your Honor, we're going to divide it up,
15 if that's okay. Ms. Dumas is going to go first.

16 THE COURT: Okay. And for those of you who are
17 anxious to see (indiscernible), I'm going to get you out of
18 here a little bit before then.

19 MS. DUMAS: Thank you, Your Honor. Cecily Dumas,
20 Baker & Hostetler on behalf of the official committee of tort
21 claimants. I'm going to take thirty seconds at the podium, and
22 then I would like to cede a bit of my time to Mr. Pitre, not to
23 talk about the email --

24 THE COURT: If he wants to get up and defend himself
25 on the email, I don't want to hear it.

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1 MS. DUMAS: No, no, no. I said, not related to the
2 email.

3 Just one clarification from what's been said about the
4 access to information, the BrownGreer database, which has been
5 made available to the debtors in the official committee of
6 unsecured creditors, that in and of itself contains over 30,000
7 claims. It's really just the logistical issue associated with
8 getting that many claims from BrownGreer to Prime Clerk, that
9 they're not completely in there yet. So they've got plenty of
10 claims information, and I have no doubt that Mr. Orsini has 150
11 minions using Google Earth to actually look at all the
12 structures of the addresses that are in BrownGreer right now.
13 So this is --

14 THE COURT: You didn't have to say that. Are the
15 claims going to be filed? Is that your understanding, that the
16 claims will be filed by the deadline?

17 MS. DUMAS: My understanding, Your Honor --

18 THE COURT: Okay.

19 MS. DUMAS: -- with due respect to the capabilities of
20 Prime Clerk is that their system is unable to take the 30- to
21 35,000 claims in an easy fashion and that they are logically
22 circumscribed by the number of claims they can batch upload
23 every day. My point is that they have had access to those
24 claims. They've spent hundreds of millions of dollars figuring
25 out what these claims are worth. So they know. And to Mr.

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1 Karotkin's 8.4 billion, our 8.4 billion number is solid.

2 Let's go back into the world of reality for just a
3 moment. That 8.4 under the debtors' plan is really 6.9 when
4 you take subro and PE out, and that bucket is for the victims,
5 FEMA, CAL FIRE, and other state agencies, CPUC finds, and any
6 other --

7 THE COURT: Yeah. You said that before.

8 MS. DUMAS: -- governmental entity. Okay.

9 THE COURT: I got that before.

10 MS. DUMAS: So this is not a high bar. It's not like
11 another round of mediation for which there have been many will
12 not -- will do something magically different. We simply
13 disagree. We'll go to estimation. The final point I want to
14 make --

15 THE COURT: What does that mean? You won't
16 participate in mediation?

17 MS. DUMAS: If we're required to go to mediation --

18 THE COURT: Well, no --

19 MS. DUMAS: We have no basis --

20 THE COURT: I want to know are you unwilling --

21 MS. DUMAS: We have no basis to conclude --

22 THE COURT: Is the committee unwilling to do it
23 voluntarily?

24 MS. DUMAS: The committee believes --

25 THE COURT: Is the only way I'm going to get you to

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1 mediate is to order it?

2 MS. DUMAS: The committee believes that no mediation
3 prior to lifting exclusivity will be any more productive than
4 any of the other dozens of mediations conducted with qualified
5 mediators.

6 THE COURT: So that means that at least for now, you
7 and your client are not -- you're only going to go in the face
8 of exclusivity if you're ordered to do it?

9 MS. DUMAS: Yes. That's right, Your Honor.

10 THE COURT: Okay.

11 MS. DUMAS: We've tried very, very hard,
12 unsuccessfully. And the last point I want to make, which
13 should go without saying in the PG&E case, but the issues that
14 have been bandied about by the Court and other parties about
15 the corporate governance fight, to the public, to my
16 constituents, these arguments ring very hollow when we're
17 talking about a felon, we're talking about a utility that has
18 blown up neighborhoods, burned down towns. I mean, so what if
19 there's a replacement of the board and the management of PG&E.
20 Yes, it's --

21 THE COURT: I think you've --

22 MR. BENNETT: -- a little bit of a hassle --

23 THE COURT: Hold it. I think you're missing the
24 point. I understand your point. You've said it before.
25 You've said it again, and I've said it, your clients don't care

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1 about corporate reorganization --

2 MS. DUMAS: They actually very much do, Your Honor.

3 THE COURT: But what I'm getting is, but they probably
4 do care about sitting and waiting while we have a knockdown,
5 drag out, crammed down, absolute priority rule classification
6 discrimination issues that has nothing to do with them.

7 MS. DUMAS: That is a hundred percent incorrect.

8 THE COURT: Okay. Why would they like to have that
9 battle --

10 MS. DUMAS: Because --

11 THE COURT: -- go forward and jeopardize the deadline
12 of AB 1054?

13 MS. DUMAS: It's not going to jeopardize the deadline.
14 It's not going to jeopardize the deadline. What's been done in
15 the time frame that it's been done, if the Court allows that to
16 go forward in the manner that we've requested, it's not going
17 to jeopardize the deadline.

18 THE COURT: How do I know that?

19 MS. DUMAS: That is a red herring.

20 THE COURT: How do I know that? Tell me how that --
21 prove that. What's the -- so just imagine that I take your
22 request and terminate exclusivity, when are we going to have
23 these confirmation battles? When are we going to have what Mr.
24 Bennett described before? He didn't mention it today, but it's
25 clear, when is the valuation trial going to take place?

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1 MS. DUMAS: Your Honor, let me answer it this way, we
2 have seen -- so under the plan, the equity -- the victims will
3 be a major stakeholder in reorganized PG&E under the bondholder
4 plan. We have seen, we have heard of the bondholders'
5 proposals with respect to board composition, more access to
6 parties other than the handpicked board that equity put in,
7 more access to direct PUC involvement or a delegate promoted by
8 the PUC. We very, very, very, very, very much care about
9 corporate governance of this reorganized debtor. We have zero
10 faith in the board that's been in place, and we don't see it,
11 at all, as a bad thing.

12 Now, in terms of time frame -- in terms of time frame,
13 they're threatening you that they will hold up confirmation to
14 keep the felon in place. That's what they're saying. They're
15 saying, we're going to have a confirmation fight over the
16 values and every other issue to keep existing management in
17 place. That, I respectfully submit, Your Honor, is not a good
18 thing.

19 THE COURT: Can I confirm a plan if there's a
20 legitimate challenge to the classification or a legitimate
21 challenge to whether the absolute party rule has been
22 circumscribed?

23 MS. DUMAS: No. All the confirmation issues are going
24 to need to be determined --

25 THE COURT: Right.

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1 MS. DUMAS: -- or resolved as Your Honor suggested, as
2 Mr. Dunne suggested, positions can move. I -- there's
3 nothing --

4 THE COURT: Not if one side is unwilling to
5 participate in mediation and only --

6 MS. DUMAS: I'm not --

7 THE COURT: -- is ordered to participate.

8 MS. DUMAS: Your Honor, I said without the termination
9 of exclusivity --

10 THE COURT: No, I know. I know.

11 MS. DUMAS: -- we would consider ourselves to absolved
12 ourselves of our duty to mediate because we've done it so many
13 times, but I'm not -- I'm talking about confirmation issues.

14 THE COURT: In other words, Judge, give me what I want
15 and then I'll do what you want.

16 MS. DUMAS: Your Honor, we've --

17 THE COURT: Ms. Dumas, I call it the way I see it.

18 MS. DUMAS: And that's --

19 THE COURT: Let's go to Mr. Pitre.

20 MS. DUMAS: All right. That's fine, Your Honor.

21 Thank you.

22 THE COURT: Mr. Pitre, you weren't expected to be
23 here, and I didn't expect you to be put on the spot just
24 because you used a couple of words that some people don't think
25 were appropriate, but I really don't want to turn this into

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1 your interpretation of your own emails.

2 MR. PITRE: This is not me -- it's not about me, Your
3 Honor. I can tell you that the email was quite restrained
4 given my Sicilian background. So I can tell you that I tried
5 to be careful in what I wrote, but my feelings were much
6 greater than what is expressed.

7 THE COURT: Some of us are from other parts of
8 Northern -- more Northern Italy.

9 MR. PITRE: Yes. I understand that the Sicilians are
10 not viewed favorably; however, I'm very proud of that culture.
11 And I can tell you that that email was not sugarcoated because
12 there was some very strong feelings that I have that I think
13 are important to the issue here that I'd like to address.

14 THE COURT: That's what I want you to focus on.

15 MR. PITRE: Thank you. The first is I heard
16 someone -- there was a comment that we didn't want to let this
17 be a sideshow to what's really important, and I think everybody
18 agrees that is what's most important here is making sure the
19 victims are fairly compensated within the structures of this
20 bankruptcy proceeding. And I think most importantly within
21 that, my concern is that the actions of the debtor and the
22 shareholders seem critical given their actions as opposed to
23 their stated and repeated mantra that the victims deserve
24 priority, the victims deserve fair treatment, the victims
25 deserve our concern. I don't see their actions showing that

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1 concern.

2 THE COURT: What about their plan?

3 MR. PITRE: Their plan --

4 THE COURT: You don't like the number, but their plan
5 says we're putting 8.4 billion down the table, and we also
6 heard their lawyer say today, if the district court orders a
7 different number, they have to put that number on there, too.

8 MR. PITRE: Well, my Sicilian math tells me 8.4
9 billion, less what we have to pay state and federal agencies,
10 less what we have to pay CPUC penalties, when compared with an
11 offer of 14.5 billion. To me, that's a dramatic difference to
12 these victims.

13 THE COURT: Well, there's a difference. There's no
14 question. The math --

15 MR. PITRE: Yes.

16 THE COURT: -- speaks for itself.

17 MR. PITRE: But it's not just money.

18 THE COURT: But wait a minute. That's what I asked
19 you. I didn't ask you for the math. I asked you, what am I
20 supposed to make of the debtors' plan. We heard again today,
21 this is our number, and if we get a higher number, we're going
22 to go with the higher number because that's what AB 1054 says.
23 That's what the district court will order. That's what they're
24 stuck with.

25 And the only issue, Mr. Pitre, is whether if that

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1 number is lower than your agreed number and your settlement
2 whether your higher number can be forced upon the debtor and
3 Ms. Dumas, herself, conceded that it cannot be.

4 MR. PITRE: So let's take it one step at a time.
5 First, the question that the Court asked me is, well, according
6 to the PG&E plan, if it comes out to be higher through the
7 estimation process and Tubbs trial, that they are going to pay
8 the higher number. That's what I heard.

9 THE COURT: That's what I heard.

10 MR. PITRE: What I haven't heard is where they're
11 going to get the money to pay for it --

12 THE COURT: Well, I heard --

13 MR. PITRE: -- and I've asked --

14 THE COURT: Well, I heard --

15 MR. PITRE: And then that's --

16 THE COURT: Well, I heard a lot about it. I've been
17 reading about it, since Friday when they filed the papers.

18 MR. PITRE: Judge, I've been to innumerable mediation
19 sessions, where we have asked --

20 THE COURT: I just read the papers on Friday. Did
21 you?

22 MR. PITRE: I did.

23 THE COURT: Okay.

24 MR. PITRE: And I haven't heard anybody say that
25 they're going to pay any portion of that to the victims.

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1 Nothing, and the --

2 THE COURT: Well, then you're not --

3 MR. PITRE: -- most important thing --

4 THE COURT: Mr. Pitre, then you're just not reading
5 the language, because that's what I --

6 MR. PITRE: Your Honor?

7 THE COURT: -- read in the plan.

8 MR. PITRE: There's a lot of things you read in
9 newspapers, but it's a lot different when people --

10 THE COURT: No, I didn't read it in the newspaper. I
11 read it in the filings that Mr. Karotkin and his colleagues
12 filed on Friday.

13 MR. PITRE: My question to this Court is that takes
14 time to get there. And one of things that we have to make is a
15 decision, and one of the issues that has come is, how much time
16 do we have to get things done? And to the extent that there is
17 a plan, to the extent that there is an agreed-upon value of
18 what those claims are worth and can get done quickly, meaning
19 we don't have to go through those processes. We can
20 immediately go to distribution of the money to the -- we have
21 to consider --

22 THE COURT: How do we do that? Would you explain --

23 MR. PITRE: If --

24 THE COURT: -- how that happens?

25 MR. PITRE: If we could get the plan -- if we could

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1 get competition, if we could get two different plans before
2 this Court, so we begin the process of evaluating them and
3 avoid the unnecessary time expense --

4 THE COURT: Well, slow down. You've already evaluated
5 one of the two by --

6 MR. PITRE: Yes.

7 THE COURT: -- your own admission.

8 MR. PITRE: And the other one is nowhere --

9 THE COURT: And you don't like the other one --

10 MR. PITRE: The other one --

11 THE COURT: -- because it's six billion dollars too
12 low, because they're --

13 MR. PITRE: It's an insult to the victims.

14 THE COURT: Is there anything else wrong with the
15 other plan, but the number's too low?

16 MR. PITRE: Yeah. To be quite candid with you, one of
17 the important things --

18 THE COURT: What's wrong with it?

19 MR. PITRE: One of the important things to me, having
20 spent a decade having to deal with PG&E and the calamities that
21 have occurred, I think the most important thing is corporate
22 governance. We had a decade --

23 THE COURT: Well, Mr. Pitre, why didn't you cover
24 governance, if you're paid in cash?

25 MR. PITRE: Because we want to prevent the next fire,

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1 Judge. We want to prevent --

2 THE COURT: Wait. Well, no --

3 MR. PITRE: -- the next calamity.

4 THE COURT: No, we're here getting your constituents
5 and the victims of these fires taken care of.

6 MR. PITRE: That's true. That's step one.

7 THE COURT: And the California legislature will take
8 care of something for 2020, and I can't solve the problems for
9 2019.

10 But let's stick with the last -- I just want to stick
11 with today's motion.

12 MR. PITRE: Sure.

13 THE COURT: Would you have any more to add about
14 today's motion?

15 MR. PITRE: Yeah, I do, Your Honor.

16 THE COURT: Okay. Then, you have one minute.

17 MR. PITRE: Well, one of the things --

18 THE COURT: No, you have one minute, Mr. Pitre. I'm
19 concluding this space --

20 MR. PITRE: Sure.

21 THE COURT: -- in one minute, and I'll let the other
22 counsel behind you be heard.

23 MR. PITRE: Sure. It's in the best interest of my
24 clients, the victims, to have competing plans, so they can get
25 a fair shake. They shouldn't be held hostage to the

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1 negotiations that have taken place so far. One thing that's
2 clear: the negotiations thus far have shown that the interest
3 of shareholders and the interest of PG&E are valued higher, and
4 the insurance carriers than victim, and the only chance and the
5 only hope they have is to have competing plans.

6 The other thing I'd like to say is that the numbers
7 have been bantered about, the 13.5, 14.5 billion dollar number.
8 That was not just me on a simple sheet of paper coming up with
9 a number. The quote that was made by Mr. Williams -- he's a
10 financial analyst; he was not a damage consultant. That sheet
11 of paper was developed by a half-dozen lawyers together with
12 damage consultants who took the information of having settled
13 scores of cases with PG&E to put those values together. They
14 didn't come out of thin air. And when PG&E says they have no
15 information -- they had enough information to tell the SEC that
16 the claims exceeded thirty billion --

17 THE COURT: Okay. You're repeating yourself. I got
18 that. Thank you very much.

19 MR. PITRE: Thank you, Your Honor.

20 THE COURT: All right.

21 Mr. Qureshi, oh, wait. Are you --

22 MR. QURESHI: Sure.

23 THE COURT: Are you already heard?

24 MS. ALEXANDER: Yes, thank you, Your Honor.

25 Good afternoon. Mary Alexander, and I am --

PG&E Corp., Pacific Gas and Electric Co.

1 THE COURT: Okay. No one said you were here on this
2 today, so what motion --

3 MS. ALEXANDER: I just want to raise --

4 THE COURT: What side are you on, here? I know what
5 side you're on, but I mean we're trying to get the last
6 argument on a contested motion regarding exclusivity. Is that
7 what you're going to speak to?

8 MS. ALEXANDER: I am speaking to it --

9 THE COURT: Okay. Go ahead.

10 MS. ALEXANDER: -- from the Ghost Ship Executive
11 Committee, that we did file, as you know, the joinder, and I
12 just wanted to put it on the record that raised our voice in
13 support of that motion --

14 THE COURT: Can you explain why the Ghost Ship isn't
15 satisfied with the PG&E plan that treats the Ghost Ship victims
16 completely unrelated to these estimations and pays them to the
17 extent that the company is found liable? Is that not a
18 sensible outcome for you?

19 MS. ALEXANDER: So --

20 THE COURT: Because I'm confused about that.

21 MS. ALEXANDER: So is this plan. This plan is more
22 sensible. It puts the insurance that is available for 2016
23 into the trust.

24 THE COURT: This plan -- as I read this PG&E's plan,
25 not the bondholders plan -- Ghost Ship is carved out of these

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1 estimation and treatment and Ghost Ship victims get paid
2 whatever they are entitled to be paid. Is that not a good
3 thing? Is that -- I mean, you really don't think that's a good
4 idea?

5 MS. ALEXANDER: I think what is a good idea is that
6 this plan, which has the view of the time of it, is of the
7 essences, rather than waiting for the --

8 THE COURT: Do you --

9 MS. ALEXANDER: And that we --

10 THE COURT: You're not answering my question.

11 MS. ALEXANDER: No, but I --

12 THE COURT: I have a plan that the TCC and others
13 support that has a finite figure and that is doomed to fail if
14 the estimates come out higher and must be reduced lower if the
15 estimates are lower. But I contrast that specifically for your
16 victims, the Ghost Ship, that the PG&E plan says Ghost Ship
17 victims get paid whatever they're entitled to be paid, period.
18 End of story. I think that's the way I read it. And I can't
19 imagine why that isn't a good result for your side. But if you
20 don't -- listen I'm not going to make a decision based upon my
21 interpretation of your position. You've made your position
22 clear today that you support breaking that specifically. I got
23 it. So I will leave it at that.

24 MS. ALEXANDER: Thank you very much, Your Honor.

25 MS. PINO: And Your Honor, we wanted to address the

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1 plan --

2 THE COURT: You need to say your name for the record.

3 MS. PINO: Oh. Estala Pino --

4 THE COURT: Okay. Well, you're on the same question.

5 It's the same question, so I --

6 MS. PINO: It's the same question.

7 THE COURT: -- got the point.

8 MS. PINO: Oh.

9 THE COURT: But let's move on.

10 MS. PINO: Okay.

11 THE COURT: I don't -- listen, I'm going to send you
12 all to Judge Donato, whether we finish or not here.

13 Ms. Pino, I got the point.

14 Mr. Qureshi, you're the closer.

15 MR. QURESHI: Thank you, Your Honor, and I will be
16 very brief.

17 I want to go back to some of the scenarios and just
18 run through what will happen if Your Honor terminates. So
19 let's start --

20 THE COURT: Okay.

21 MR. QURESHI: -- with 6.9 billion dollars in the
22 equity plan, 13.5 billion dollars in the creditor plan, okay?

23 THE COURT: Um-hum.

24 MR. QURESHI: Scenario 1, Your Honor, is claims come
25 in below 6.9 billion dollars, okay, when there are two plans.

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1 In that scenario, we're done. The debtor's plan gets
2 confirmed. There's no contested confirmation hearing.
3 Everybody goes home.

4 THE COURT: We know that's --

5 MR. QURESHI: Scenario 2 --

6 THE COURT: -- not likely to happen, right?

7 MR. QURESHI: We don't think that's likely to happen,
8 Your Honor.

9 THE COURT: Okay. So let's not waste time on that
10 one.

11 MR. QURESHI: Scenario 2, estimation results somewhere
12 in between the 6.9 billion dollar number and the 13.5.

13 THE COURT: Right.

14 MR. QURESHI: Okay. Contested confirmation hearing,
15 there is no absolute priority issue --

16 THE COURT: What is there to contest, if the debtor
17 opts this plan and you're locked into lowering yours?

18 MR. QURESHI: So --

19 THE COURT: What is there to debate?

20 MR. QURESHI: That there is no absolute priority issue
21 in that scenario, because as you heard from Ms. Dumas, the
22 settlement number will come down to whatever that level is. So
23 then the only issue at confirmation would be feasibility. Look
24 at the financing that they are able to raise over and above
25 their cap, if they're able to get there. And Your Honor can,

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1 in that circumstance, make a choice. Which plan is better?

2 But that's not a particularly complicated litigation.

3 Now, let's look at Scenario 3. Scenario 3 is
4 estimation comes in north of our number, thirty billion
5 dollars, whatever the number is.

6 THE COURT: Whatever the number is.

7 MR. QURESHI: In that scenario, Your Honor, again we
8 have a settlement with the Tort claimants. They believe that
9 they will be able to carry the class to vote in favor of a plan
10 that provides the agreed-upon cap of 25.5 billion dollars.
11 Certainly, there's no absolute priority issue to litigate in
12 that scenario, Your Honor. And it's important to note that the
13 reason the settlement was structured in that way, Your Honor,
14 is so we continue to have the benefit of AB 1054.

15 THE COURT: What about Mr. Feldman's comment? What do
16 I do about that? Is he wrong?

17 MR. QURESHI: I think he's a hundred percent wrong,
18 Your Honor. I think the wording --

19 THE COURT: So the majority, let's say two-thirds
20 majority number, two-thirds an amount vote for the plan, but a
21 group of victims come forth and say, that plan must fail
22 because it doesn't comply with 1054.

23 MR. QURESHI: If it is --

24 THE COURT: Was I right or wrong?

25 MR. QURESHI: I believe that they are wrong. If it is

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1 a settlement that is authorized by this Court, if it is
2 approved by this Court, then that settlement is the amount, and
3 we continue to have the benefit of AB 1054. But in the --

4 THE COURT: Well, but let's get back to the point. Is
5 it a settlement?

6 MR. QURESHI: I believe --

7 THE COURT: Is it a settlement if it's forced on the
8 debtor?

9 MR. QURESHI: We believe that it absolutely is a --

10 THE COURT: Okay.

11 MR. QURESHI: -- settlement which we --

12 THE COURT: Well, we might have to brief that later.

13 MR. QURESHI: If we can persuade Your Honor that it's
14 a settlement that this Court ought to approve.

15 THE COURT: No, I understand, and --

16 MR. QURESHI: Yeah.

17 THE COURT: -- that's for another day. That's your
18 take on why I should go back to where you and I were three
19 hours.

20 MR. QURESHI: Correct.

21 THE COURT: Method term of exclusivity.

22 MR. QURESHI: So --

23 THE COURT: I gotcha.

24 MR. QURESHI: So let me close with this thought, Your
25 Honor. In all of what we heard from Mr. Karotkin and from Ms.

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1 Pino, I heard no single reason why it is not sensible for all
2 of the creditors to have an alternative on the table, to have
3 an alternative that prevents a potentially very significant
4 downside, if estimation comes in high and the AB 1054 deadline
5 gets blown.

6 THE COURT: No, I understand.

7 MR. QURESHI: What they are asking us to do is to take
8 a tremendous risk, the only beneficiary of which is equity.

9 Your Honor, when our last effort exclusivity
10 terminated was denied, Your Honor made the point that the Court
11 did not see for the victims here, which again is what these
12 cases are all about, the benefit of terminator. That has the
13 most significant circumstance that has changed, Your Honor.

14 The victims who --

15 THE COURT: No, I understand.

16 MR. QURESHI: -- are making that point.

17 THE COURT: You made that point.

18 MR. QURESHI: Thank you, Your Honor.

19 THE COURT: Okay. All right. Thank you very much for
20 all time and effort and your emotion and your energy, and the
21 matter will stand submitted. I will do my best to get a very
22 quick decision out, like I did last time around.

23 MR. JULIAN: Your Honor, do you -- I'm sorry. You
24 asked if the TCC had any objection to the Cantu issue being
25 joined with inverse condemnation. The issue is yes because you

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1 sent it to Judge Donato, and PG&E filed a statement which we're
2 going to look at in fifteen, saying that the issue is in front
3 of Judge Donato.

4 THE COURT: Well, that's what I asked him. That's
5 exactly why I asked for clarification, why --

6 MR. JULIAN: I'll read to you from their pleading file
7 today --

8 THE COURT: Wait a minute. Hold on. Hold on. Hold
9 on.

10 What?

11 THE CLERK: We need his appearance for the record.

12 THE COURT: Need your appearance for the record.

13 MR. JULIAN: Robert Julian, Baker Hostetler for the
14 TCC.

15 And the joint statement on the calendar for today
16 before at 2 before Judge Donato --

17 THE COURT: You don't have to read it. I read it.
18 And I read it, and that's why, Mr. Julian, did you read my
19 order for today's hearing? I asked for clarification. Is this
20 Cantu hearing and the Cantu issue going to be briefed to him or
21 to me?

22 MR. JULIAN: Not to you, Your Honor.

23 THE COURT: Well, says who?

24 MR. JULIAN: Your order.

25 THE COURT: Well, no, my order says give me a

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1 clarification.

2 MR. JULIAN: No, I --

3 THE COURT: And I thought I heard Mr. Orsini say it
4 didn't matter to the debtor, and I'm looking for a stipulation
5 on that.

6 MR. JULIAN: May I just --

7 THE COURT: Why isn't it part of the inverse
8 condemnation issue, just a variation of it?

9 MR. JULIAN: It's a factually intensive issue like --

10 THE COURT: Are the facts in dispute?

11 MR. JULIAN: Yes. It's a factually -- may I answer
12 your question, Your Honor?

13 THE COURT: Well, if you can, Mr. Julian, but I wish
14 you'd raised this about 10 o'clock this morning, because I'm
15 trying --

16 MR. JULIAN: I was in the other court.

17 THE COURT: Well, that's your problem. What other
18 court?

19 MR. JULIAN: The next court.

20 THE COURT: I'm trying to get the exclusivity issue
21 and --

22 MR. JULIAN: Right.

23 THE COURT: -- I thought it was a nonissue about
24 Cantu. So if we're going to take time now, go ahead, make your
25 pitch about when the Cantu argument's going to be presented,

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1 how it's going to be presented.

2 MR. JULIAN: In your order we're trying to reference
3 you said you were reserving one issue, inverse condemnation.
4 In the joint statement filed for today in front of Donato, PG&E
5 said to be sure the issue of strict liability under inverse
6 condemnation is likely to be addressed in advance of the
7 hearing through the combination of Judge Montali's ruling on
8 the threshold question of whether inverse condemnation even
9 applies to the debtors, which will be argued on December 11,
10 and this Court's ruling on summary judgment motions on
11 concerning the applicability of the --

12 THE COURT: I think I just told you I had read that,
13 and that's why I asked for clarification.

14 MR. JULIAN: And we asked Judge Donato to not to rule
15 on summary judgment motions, but to resolve all liability
16 issues as pursuant to the debtors' settlement history. It's a
17 factually intensive issue as to whether the line is really part
18 of a prior property or part of the electrical system. And it's
19 not an inverse condemnation issue.

20 THE COURT: It was presented originally as part of the
21 inverse condemnation issue.

22 Mr. Orsini, do you want to defer this --

23 MR. JULIAN: Well, we disagree, Your Honor.

24 THE COURT: -- or brief it later when you have -- how
25 would you like me to resolve this, before you have to go

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1 upstairs and deal with it all over again?

2 MR. ORSINI: I'm happy to defer, Your Honor. I mean,
3 what Mr. Julian just said is fundamentally false. It is
4 absolutely an inverse condemnation issue. It's all about
5 inverse condemnation. But they want to avoid, in every respect
6 possible, any rulings on potential liability.

7 We said what we said that you read in the statement.
8 That was, it appears now, a confusion on my part as to what
9 Your Honor was pertaining to what was going to the District
10 Court. As I've said, we're happy to present it either way. If
11 they're taking the position that there's going to be disputed
12 facts on that, let's tee it up like any other summary judgment
13 motion in front of Your Honor.

14 THE COURT: But even if they're disputed facts, that's
15 not the point. The point is is it a personal injury or
16 wrongful death --

17 MR. ORSINI: It is --

18 THE COURT: -- estimation issue?

19 MR. ORSINI: It is 1,000 percent not, Your Honor.

20 THE COURT: Not, that's what I thought.

21 MR. ORSINI: It is entirely property damage related.
22 There is no argument to the contrary.

23 THE COURT: Okay. What I'm going to suggest to Mr.
24 Julian is that somebody figure out a way, whether it be today
25 or sometime soon, to get Judge Donato to make the call. I am

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1 not in the business of having a turf battle with the district
2 judge that I'm the one that -- not that particular one, but I'm
3 the one that asked that he take over personal injury/wrongful
4 death for the reasons that I went through extensively before.
5 And so to me, it sounds like Cantu is what Mr. Orsini says.

6 Mr. Julian, if you and your colleagues believe that
7 the proper way and a decision on Cantu must be made by the
8 district judge, take it up with him. And if he wants to keep,
9 he'll keep it. And if he wants me to do it, I'll do it,
10 either/or.

11 MR. JULIAN: All parties agreed last time in front of
12 Judge Donato that all economic loss, property damages issues
13 were in front of him, as well as personal injury. That's on
14 the record.

15 THE COURT: But, you also -- everybody agreed that I
16 had the inverse condemnation issues, so --

17 MR. JULIAN: Yes, yes.

18 THE COURT: -- you will need to revisit the question,
19 unless there's a consent on the other side. I don't care. I
20 just don't confusion about it, that's all.

21 MR. JULIAN: Neither do I. We're just following what
22 they wrote on the paper, Judge.

23 THE COURT: Yeah, but I'm following what is the
24 ambiguity in the paper. So you need to get it clarified.

25 MR. JULIAN: Will do, Your Honor.

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1 THE COURT: And then, I'll look forward to getting a
2 stipulation from somebody on when I'm going to get the briefing
3 schedule on the two issues that we talked last time.

4 MR. SKIKOS: Your Honor, this is the last point, I
5 hope, for today.

6 THE COURT: Name?

7 MR. SKIKOS: Steve Skikos.

8 THE COURT: Mr. Skikos?

9 MR. SKIKOS: On September 24th, Your Honor told the
10 TCC that if there was going to be an issue related to the
11 unincluded to bring into Your Court's attention now. For the
12 last two weeks, I've done nothing but evaluate the notice
13 program, talk to fire victims, and come to an understanding of
14 what's going on here. The whole battle in this case, and
15 everybody knows it, but no one once has said it today, is the
16 unincluded claim preclusion. How many fire victims are
17 successfully going to be precluded from bringing their clients?
18 That's the issue here. And I --

19 THE COURT: Successfully or just -- yeah, precluded?

20 MR. SKIKOS: I'm not going to say --

21 THE COURT: You're implying --

22 MR. SKIKOS: I'm not implying your intent.

23 THE COURT: You're implying conspiracy theory, that
24 they're causing it to happen.

25 MR. SKIKOS: No, I'm not implying intent.

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1 THE COURT: Well, you're sounding like their
2 arguments. So what is your point?

3 MR. SKIKOS: My point is that we're bringing the
4 motion to extend the bar date tomorrow.

5 My point is -- my last point is this. I proposed to
6 the debtor in January that we share data. I proposed and we
7 had an agreement back in December to share case-specific data.
8 We have been willing to share case-specific data. I put it on
9 the record in this court on January 31st. My point is this.
10 I'm very much in favor on consensual resolution. There's
11 enough people in this room that know that. But I'm not going
12 to be in favor of having tens of thousands of people who don't
13 know what's going on in this case precluded.

14 So the motion's going to be brought tomorrow, and I'm
15 asking for a hearing date before bar the date, because I
16 listened very careful to you.

17 THE COURT: I can't hear it. I mean, I'll hear it on
18 expedited basis, I guess, this week. I'm not even here next
19 week, so I'm not going to be able to hear it before the bar
20 date, unless the debtor agrees that I can hear it.

21 MR. SKIKOS: I think this is one time, one time
22 that --

23 THE COURT: And the bar date can be extended after the
24 fact, if there's a reason for it.

25 MR. SKIKOS: Well, I'll meet and confer with the

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1 debtor, but I really believe it should be heard ASAP --

2 THE COURT: Mr. Skikos, I'm not going to have at ten
3 minutes till 2 be told that there's a motion about to be filed
4 that you want heard this week, and we've known about this bar
5 date for six months, and you've had six months to make a motion
6 to extend it. I raised it with Mr. Pitre last time. I said,
7 if somebody wants to bring a motion, I'll hear on it. And I
8 will; I still will.

9 MR. SKIKOS: Okay.

10 THE COURT: I just won't hear it on two days' notice,
11 unless the debtor agrees, and personally I cannot change my own
12 schedule. And therefore, if I have the motion presented and
13 the debtor doesn't persuade me or doesn't concede hearing it
14 quickly, I'll deal with it after the fact.

15 MR. SKIKOS: Right. And I'm not putting any intent on
16 anybody. I didn't mean to do it that way.

17 THE COURT: Well, it sounded like you were. Okay.

18 Matter is submitted. Thank you all for your time.

19 Well, what do they want?

20 UNIDENTIFIED SPEAKER: No, no. I'm scheduling for the
21 briefing schedule. We'll just confer and get back to you.

22 THE COURT: Sounds good.

23 (Whereupon these proceedings were concluded at 1:48 PM)

24

25

1 C E R T I F I C A T I O N
23 I, Amanda G. Stockton, certify that the foregoing transcript is
4 a true and accurate record of the proceedings.
56 
78 _____
9 /s/ AMANDA G. STOCKTON
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1415 Date: October 8, 2019
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